CMAP

Examination of Local Economic Development Incentives in Northeastern Illinois

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Executive Summary

Local incentives play a major role within the overall economic development landscape of northeastern Illinois. In recent years, more than 70 percent of the region's 284 municipalities have used at least one of four local economic development incentive tools: tax increment financing (TIF), sales tax rebates, property tax abatements, and Cook County property tax incentive classes. These incentives have been used to attract or retain a wide variety of commercial, industrial, and residential uses including retail, auto dealerships, corporate offices, manufacturing, warehousing, mixed-use, and affordable housing developments.

CMAP has examined the use of these incentive tools, focusing on their prevalence, structure, associated community goals, types of firms receiving assistance, and the extent to which their use supports the goals of GO TO 2040, the regional comprehensive plan. The following summarizes key findings from this report.

State tax policy drives the prevalence of local economic development incentives

The vast majority of the region's municipalities, 202 out of 284, have deployed at least one of the four primary incentive tools in recent years. State statute establishes the criteria and policies that allow local governments to use tax revenue to incentivize development. These include the criteria governing specific local incentives and the state tax policies that govern state sales tax revenue sharing and differential property assessment levels in Cook County.

For example, while establishment of a TIF district requires satisfying state-imposed blight and conservation area criteria, these districts persist throughout northeastern Illinois. A total of 157 municipalities currently have at least one district, and TIF accounts for more than 10 percent of the total property tax base in 24 municipalities. Overall, TIF expenditures totaled $2.6 billion between 2000 and 2010.

Sales tax rebates also remain common throughout the region. Since 1996, at least 137 communities have used this tool to attract or retain sales tax-generating developments like shopping centers, auto dealerships, supercenter/discount stores, and home improvement stores. The use of sales tax rebates will remain extremely common as long as the state tax system provides communities with a fiscal incentive to encourage the development of retail and other establishments that generate sales tax revenue. While this system allows municipalities to recoup the costs of supporting a retail development, sales tax revenues often exceed the costs of serving these developments. These fiscal benefits create intraregional competition among communities for sales tax-generating developments.

The widespread use of Cook County incentive classes reflects the unique nature of Cook County's property tax assessment classification system, a policy permitted under the state constitution. In 2011, 5.8 percent of estimated commercial or industrial market value across Cook County was designated with an incentive class. The prevalence suggests that the existing classification system, which shifts the property tax burden toward commercial and industrial properties, impedes economic development in many communities in Cook County.

Incentives often influence site selection for businesses making an intraregional move or for a national firm expanding its market

Local economic development incentives typically encourage development in a particular location rather than attract a business to the region as a whole. Incentives affect the site selection process by reducing the cost of initial site improvements or local taxes over the long term. This only influences where a development occurs in the region rather than whether it occurs at all. CMAP's case studies indicate that the vast majority of local incentive deals involve intraregional moves, the expansion of an existing business, or national firms expanding their market. Only rarely did local incentives lure a firm from another state or assist a new business. This aligns with the findings of various academic studies showing that tax differences are more effective at influencing site selection within, rather than across, metropolitan regions.

Local communities often provide incentives without knowledge of whether the development would have occurred anyway. Businesses are typically in an advantageous position to negotiate incentives with local governments—they may have several sites to choose from and may receive incentive offers from multiple communities in the region. This situation puts communities in the difficult position of competing against each other for economic development opportunities, many of which involve businesses or developers that intend to select a site in northeastern Illinois and are choosing from several specific sites in the region.

Communities often provide incentives to maximize tax revenue, but these investments may generate few spillover benefits to the larger regional economy

Based on available data, CMAP finds that many communities target incentives based upon future tax revenues rather than overall economic impact. For example, local governments have spent or committed significant amounts of sales tax rebates to firms that generate considerable sales tax revenue but are associated with low jobs multipliers and low wages. In examining 137 sales tax rebates, CMAP found rebates averaging $2.5 million for home improvement stores and $3.8 million for discount stores, despite the fact that one retail job supports just an estimated 0.3 to 0.9 other jobs in the regional economy and provides relatively low wages (an average of $21,903 per year).

On the other hand, some local governments do use incentive tools to attract firms that employ workers in high skilled jobs. Office or manufacturing developments typically provide lower local tax revenues but higher regional economic benefits. For instance, one manufacturing job supports between 1.7 and 4 jobs in other sectors and provides higher average wages ($41,373). The economic benefits of these developments are more likely to spill over into other industries and to support employment in a range of sectors including business services, retail, and human services.

The use of local economic development incentives varies in terms of aligning with the land use goals of GO TO 2040

GO TO 2040 prioritizes local government efforts to improve livability and encourages a future pattern of more compact, mixed-use development that focuses growth where infrastructure already exists. Communities often utilize local economic development incentives for goals that align with GO TO 2040, such as redeveloping an underutilized site, developing affordable housing, or meeting other reinvestment strategies. Specifically, redevelopment can require the consolidation of many small parcels under separate ownership, remediation of environmental contamination, rehabilitation of existing structures, or an upgrade of public infrastructure. In these cases, incentives can bridge the gap between market prices and high redevelopment costs, meeting both public goals and private investment needs.

On the other hand, communities also use local incentives to compete for new developments on undeveloped land, which typically does not entail extraordinary development costs. While GO TO 2040 acknowledges that some greenfield development will occur, the plan does not prioritize the associated expenditure of limited public resources toward these ends.

Proactive and collaborative planning does not always play a role in the use of local incentives

While a significant majority of the region's local comprehensive plans include a heavy or moderate focus on economic development, comparatively few of these plans discuss specific incentives. While the general goals of incentive agreements and comprehensive plans often coincide, it is unclear if incentives are being utilized to implement specific recommendations of a plan or if their use is more reactive. In general, aligning incentives with community plans builds on the analysis and public input that went into the plan, and ensures that public dollars follow long-term desired outcomes and land use patterns.

Including clawback provisions in incentive agreements can also help protect community's investments in development. Some local governments include a number of requirements in incentive agreements, such as requiring the business or firm to stay in the community for a certain number of years, hire community residents, generate a specific level of tax revenue, or maintain or modernize infrastructure.

Employing incentives to compete with other communities over development runs contrary to the type of collaborative planning efforts envisioned in GO TO 2040. These collaborative efforts can help communities to gain efficiencies, share information, and strategically invest scarce public funds. GO TO 2040 encourages the formation of inter-jurisdictional planning groups to develop cooperative approaches to community challenges like economic development. Moving forward, fostering a collaborative environment to facilitate economic development would better utilize public resources and would benefit the region as a whole.

Introduction

GO TO 2040, the comprehensive regional plan for metropolitan Chicago, emphasizes the importance of an efficient, equitable, and transparent state and local tax system to keep our region economically competitive. Our current tax policies have an impact beyond the public revenue they raise and can create incentives that shape the commercial and residential development of our communities. Such decisions can be motivated by the imperative of raising local revenues rather than by the goal of building a stronger regional economy and livable communities. GO TO 2040 recommends moving toward a tax system that encourages effective local land use decisions, generates good jobs, and triggers sustainable economic activity.

Shortly after the approval of GO TO 2040 in October 2010, CMAP assembled a Regional Tax Policy Task Force, an advisory group consisting of representatives from local and state government, business, civic organizations, and academia. Throughout 2011, this group deliberated on a range of state and local tax policies affecting the economic competitiveness of northeastern Illinois. One issue of interest to the Task Force was the use of local tax incentives, specifically sales tax rebates, to spur the development of large, sales tax-generating establishments. In its final report, the Task Force recommended that CMAP analyze the impact of sales tax rebates on development decisions. In its discussion of this report, the CMAP Board directed staff to conduct a detailed study on the prevalence of these rebates as well as other local incentives, and also analyze the impact on local and regional economic development.

While many local investments in schools, infrastructure, public safety, and other public services help to drive economic development, this report takes a narrower view, defining "economic development incentives" as discretionary, direct financial outlays or tax relief tools to assist specific businesses or developers. Once employed, local economic development incentives may change the tax burden on specific private firms, shift the relative tax burden among different sets of taxpayers, or alter the tax base of local jurisdictions. In northeastern Illinois, four economic development incentive tools are frequently utilized by local governments. The most prominent of these tools include 1) Tax Increment Financing (TIF) districts, 2) sales tax rebates; 3) property tax abatements; and 4) Cook County property tax incentive classes.

These incentives are often used by communities to attract development when site or market conditions might otherwise compel a developer or business to choose another location. For example, when a community is less competitive in terms of infrastructure, workforce, or its tax system, it may use incentives to offset these factors and make the community more attractive for development. For a community that is already competitive on these basic market considerations, incentives are offered to attract a business that might be considering other, similar, locations.

This report explores the use of local economic development incentives in northeastern Illinois, and focuses on their prevalence, structure, goals from the community perspective, types of firms receiving assistance, and the extent to which they support the overall economic, livability, and sustainability goals of GO TO 2040. This report focuses most specifically on observations from a series of development case studies, all of which are summarized in the Appendix.

Background and context

While these locally-based economic development incentives are administered by local governments, all have some basis in state law, which sets the relevant policies, limitations, and criteria. This section provides an overview of this information for the four incentives studied in this report: TIF; sales tax rebates; property tax abatements; and Cook County property tax incentive classes.

Tax Increment Financing districts

Tax Increment Financing districts are created to fund economic development projects in blighted areas where development would not otherwise occur or in conservation areas that may become blighted. Property tax rates applied to increases in property value that occur after the district is established, or the "tax increment," are used to fund TIF district projects. TIF was first enacted in Illinois in 1977.[1] Since then, the statute has undergone several revisions, including one in the 1980s that allowed TIFs created prior to 1987 to receive state and local sales tax increment, and a 1999 amendment that narrowed the criteria for determining blighted or conservation redevelopment areas and projects.

Criteria

The current version of the Tax Increment Allocation Redevelopment Act[2] allows municipalities to designate TIF districts that meet criteria as a blighted area or a conservation area. Improved areas must meet at least five criteria to be considered blighted. For conservation areas, at least half of structures in improved areas must be at least 35 years old and the area must meet at least three of the criteria. Criteria include dilapidation, obsolescence, deterioration, presence of structures below minimum code standards, illegal use of individual structures, excessive vacancies, lack of ventilation, light or sanitary facilities, inadequate utilities, excessive land coverage and overcrowding of structures, deleterious land use or layout, lack of community planning, need for environmental remediation, and decline in property values.

Vacant areas can qualify as blighted by meeting two of the following criteria: obsolete platting, diversity of ownership of parcels, tax delinquencies, deterioration of structures in neighboring areas, need for environmental remediation, and decline in property values. Alternatively, vacant land can qualify if it qualified as a blighted improved area before becoming vacant, is subject to chronic flooding, or has an unused quarry, mine, rail yard, rail track, railroad right-of-way, or disposal site.

[1] Real Property Tax Increment Allocation Redevelopment Act, Illinois Public Act 79-1525

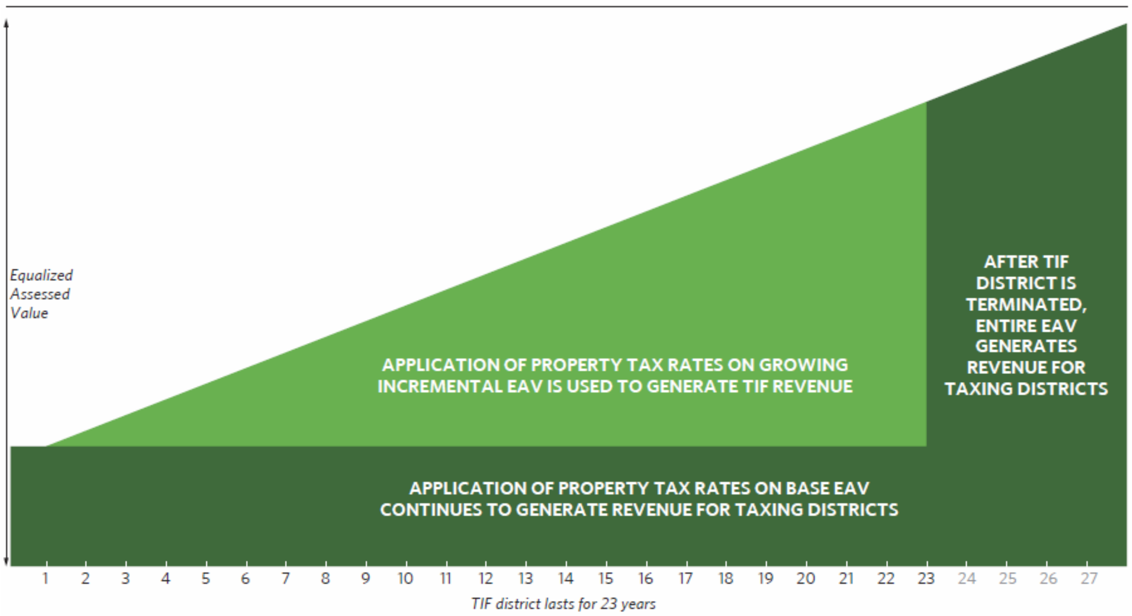
[2] 65 ILCS 5/11-74.4

Areas that do not meet blight or conservation criteria can be eligible for TIF designation if they are within a closed military base,[3] within a half-mile radius of a proposed STAR Line station, or are industrial parks in an area with a labor surplus.[4]

Revenues

TIF district revenues are generated from application of the current property tax rate to the incremental Equalized Assessed Value (EAV), which is the difference between the current EAV within the district, and the EAV at the time of establishment (the base EAV). Tax rates for all taxing entities (counties, municipalities, school districts, and special districts) located in the TIF district are computed using only the base EAV, which remains the sole "tax base" for these entities over the life of the TIF.[5] Revenue generated by taxes on the incremental EAV flows to the TIF district, which is controlled by the municipality. The following chart illustrates how TIF district revenue is generated.

Figure 1: Tax Increment Financing districts



Source: Chicago Metropolitan Agency for Planning analysis.

This illustration represents the general concept of how a TIF district works. Property tax rates are determined by dividing the property tax levy (requested revenues) by the EAV (property tax base) within the taxing district. Typically, levies increase over time due to inflation and the cost of providing services to more residents and businesses, but this often occurs in tandem

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[3] Economic Development Project Area Tax Increment Allocation Act of 1995, 65 ILCS 110

[4] Under the Tax Increment Allocation Redevelopment Act, a labor surplus municipality has, at some point during the preceding six months, an unemployment rate that is more than 6 percent and at least twice the national average unemployment rate. Under the Industrial Jobs Recovery Law, 65 ILCS 5/11-74.6, the area can qualify under different labor surplus standards if it meets other criteria outlined in the statute.

[5] If the current EAV is lower than the base EAV, the current EAV is used.

with a rising tax base, keeping rates level.[6] Since TIF essentially freezes the tax base for underlying jurisdictions, property tax rates become directly affected if levies increase or decrease. While this constrains the ability of underlying taxing districts to some degree, theoretically this higher incremental tax base would not materialize but for the TIF district. This specific question has sparked much debate in northeastern Illinois and many other places around the U.S. For example, in some TIF districts in northeastern Illinois, municipalities have brokered agreements to provide underlying taxing entities with a proportion of the incremental revenue. In addition, there have been unsuccessful legislative efforts in Illinois to require TIFs to provide a portion of their revenue to underlying taxing districts such as school districts.[7]

Expenditures and projects

Any municipality can adopt a TIF district. Municipalities must identify the redevelopment project area using the criteria discussed above and approve a redevelopment plan. In the redevelopment plan, municipalities must find that development in the TIF would not reasonably be expected to occur without the presence of the TIF. Redevelopment projects undertaken in the TIF district must further the objectives of the redevelopment plan to eliminate the conditions under which the area qualified as a blighted or conservation area. Redevelopment project costs can include planning, marketing, property assembly, land acquisition, site preparation and improvements, demolition, rehabilitation, reconstruction, repair or remodeling of public or private buildings, replacing public buildings, infrastructure improvements, job training, financing costs, and other taxing districts' costs attributable to the redevelopment.

The statute also indicates several non-eligible costs including construction of a new privately-owned building, and financial support to a retail entity moving to the TIF district while closing an operation at another location within 10 miles of the TIF district, unless the previous location contained inadequate space, had become economically obsolete, or was no longer a viable location for the business. Redevelopment projects, as well as financial obligations issued to finance projects, must be complete within 23 years from when the TIF district was approved. If no projects have been initiated within a TIF district within seven years after the district was approved, the TIF district must be repealed.

Sales tax rebates

In Illinois, sales of most tangible goods are subject to the Retailers' Occupation Tax or the Service Occupation Tax, which are commonly known as the "sales tax." Sales taxes in Illinois are imposed based on where the order originated, unlike most states, which impose sales taxes based on where the goods were delivered. In a typical retail store, this distinction is not relevant, because the goods are ordered by the purchaser and delivered to the purchaser in the

[6] The Property Tax Extension Limitation Law requires that non-home rule taxing districts in PTELL counties limit the annual increase in property tax extensions to the lesser of five percent or the increase in the Consumer Price Index for all urban consumers. See 35 ILCS 200/18-185 through 35 ILCS 200/18-245

[7] For example, see House Bill 1575, 97th General Assembly

same transaction at the same location. In situations where the goods might be delivered to the purchaser's home or office, this distinction is relevant, because the sales tax rate will be based on where the order for the purchase was accepted, which could be a retail store, a warehouse, or an office.

The Illinois state sales tax rate is 6.25 percent for general merchandise and 1 percent for sales of qualifying food, drugs, and medical appliances. A portion of the revenue is disbursed to local governments based on where the sale took place or where the final acceptance of the order occurred. Municipalities (and counties for sales in unincorporated areas) receive 1 percentage point of the 6.25 percent rate on general merchandise sales within their borders. They also receive the full amount of the revenues from the 1 percent state rate on qualifying items. Counties receive a quarter of a percentage point of the state rate on general merchandise sales within their borders. The exception is the Cook County share, which is allocated to the Regional Transportation Authority (RTA). In addition to receiving state sales tax revenues, counties, municipalities, and other units of government like the RTA can impose local option sales taxes under certain circumstances.

Sales tax rebates are agreements that municipalities and counties make with businesses to rebate a portion of the sales taxes generated from the business back to the business or the developer of the improvements on the property. This typically includes the local share of the state sales tax, and occasionally the local option sales tax. Some rebates are simply a percent of sales tax revenue generated by the company and have no time limits, minimums, or maximums. Other agreements include provisions that define the number of years the agreement is in effect, the maximum amount of revenue that can be rebated back to the business, or a minimum amount of sales that must be reached before revenues are rebated. These agreements are made with a variety of sales-tax generating establishments, including retail stores, auto dealerships, and offices and warehouses where sales are sourced.

State statute provides guidelines under which municipalities and counties can issue agreements to share or rebate sales taxes.[8] Specifically, the Illinois Municipal Code[9] and the Counties Code[10] include some limitations and requirements regarding these agreements. Under state statute, agreements are not allowed if the sales tax would have been paid to another local government absent the agreement and the retailer has a retail location or warehouse where goods are delivered to purchasers in that other jurisdiction.

The statutes authorize any unit of government denied sales tax revenue because of an unlawful agreement to file suit in circuit court against the offending municipality or county. Recently, several local governments, including the RTA and Cook County, have filed court actions against Sycamore, Kankakee, and Channahon, as well as the companies involved in the

[8] The retailers' occupation tax is a legal term in Illinois for what is commonly known as a 'sales tax.'

[9] 65 ILCS 5/8-11-21.

[10] 55 ILCS 5/5-1014.3.

agreements.[11] The lawsuits allege that the municipalities have entered into sales tax rebate agreements to induce companies operating within the jurisdictions of the Plaintiffs (the 6-county RTA service area and Cook County) to claim that their sales are sourced through offices in Sycamore, Kankakee, and Channahon.

Spurred in part by the lawsuit by the RTA and several other taxing bodies, newly enacted legislation requires municipalities and counties to report data on sales tax rebates to the Illinois Department of Revenue. On August 17, 2012, Governor Quinn signed Public Act 97-0976, requiring municipalities and counties to file reports concerning sales tax rebate agreements with the Illinois Department of Revenue (IDOR). The new statute requires municipalities and counties to file reports regarding existing agreements by April 1, 2013, and thereafter within 30 days after a new agreement is executed. The reports include:

- The name of the business and county or municipality entering into the agreement
- The location of the business
- Whether the business maintains additional places of business in Illinois
- How the amount of sales tax to be rebated is to be determined
- The duration of the agreement
- The names of any businesses that would receive a share of the rebate
- A copy of the agreement

The bill does not implement complete transparency, however. Sales figures, the amount of sales tax collected, and the amount of sales tax rebated will be redacted and would be exempt from the Freedom of Information Act. IDOR was required to post the first reports (excluding the copy of the agreement) to its website by July 2013, and will update this website monthly with new reports.

Property tax abatements

Any district that extends a property tax can abate (or decrease) any portion of its taxes for certain properties. Approximately 1,200 districts in northeastern Illinois imposed a property tax in 2010, generating $20.1 billion in property tax revenue.[12] Implementation of abatements requires municipalities and counties to solicit the participation of underlying districts, such as school districts and townships, if they wish to abate a substantial portion of the property taxes. The following table summarizes the abatements that taxing districts are authorized to offer to property taxpayers.

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[11] The Regional Transportation Authority v. The City of Kankakee, The Village of Channahon, Minority Development Company, LLC, MTS Consulting, LLC, Inspiring Development LLC, Corporate Funding Solutions, LLC, and XYZ Sales, Inc., Circuit Court of Cook County, Illinois, Chancery Division (complaint filed August 23, 2011). The Regional Transportation Authority v. United Aviation Fuels Corporation, United Airlines, Inc., and The City of Sycamore, Circuit Court of Cook County, Illinois, Chancery Division (complaint filed January 14, 2013).

[12] CMAP analysis of Illinois Department of Revenue data

Table 1. Commercial and industrial property tax abatements authorized by state statute

ELIGIBILITY	MAXIMUM AGGREGATE ABATEMENT PER PROPERTY	MAXIMUM ABATEMENT PERIOD
Any commercial or industrial firm's property	**$4 million**	**10 years**
New electric generating facility. If it closes before the end of the abatement term, taxing districts must be repaid. Authority to grant these expired on January 1, 2010.	**Varies depending on the property's value**	**10 years**
Commercial or industrial development of at least 500 acres	**$12 million**	**20 years**
Commercial or industrial firm that expands its facility or increases number of employees. Abatement period may be renewed.	**$4 million**	**10 years**
Corporate headquarters relocating from out of state as defined in the Corporate Headquarters Relocation Act. Instead of an abatement, property taxes are rebated to the firm. Only applies to school districts if the municipality reimburses the school district. Authority to grant these expired on August 1, 2006.	**None**	**20 years**
Property located in a business corridor created by an intergovernmental agreement between two adjoining disadvantaged municipalities	**None**	**10 years**
Business that locates on facility that was vacant for at least two years	**$4 million**	**2 years**

Source: 35 ILCS 200/18-165, 35 ILCS 200/18-184.5, 35 ILCS 200/18-184.10.

In addition, abatements can be granted under some other circumstances, including:[13]

- Properties used for racing horses or motor vehicles
- Academic or research institutes
- Affordable senior housing
- Historical societies
- Properties in Enterprise Zones
- Low-income housing
- Properties owned by the surviving spouse of a fallen police officer, soldier, or rescue worker
- New single-family residential buildings located in an "area of urban decay" (only home-rule municipalities are authorized to abate)
- Properties that are the subject of an annexation agreement between the municipality and the property owner (only municipalities are authorized to abate)
- Previously vacant properties

Property tax abatements lower a property owner's tax bill. However, property tax abatements do not necessarily result in a reduction in revenue for taxing districts. An increased property tax levy could potentially make up for any loss from abatements. This would also result in higher tax rates and a shift in the burden of the abatement toward other taxpayers in the district. However, if property tax revenue would not have been generated from the property if not for the abatement provided, a property tax abatement would be neutral to other taxpayers in the district.

[13] 35 ILCS 200/18

Property tax incentive classes

Cook County assesses commercial and industrial property at a higher percentage of market value than residential property. This typically results in a higher property tax burden for business taxpayers, although the magnitude of the impact varies from place to place. This classification system does not exist in the collar counties, where business and residential taxpayers with similar market values share similar tax burdens.

State statute requires that properties be assessed at 33 ⅓ percent of their market value,[14] except in counties allowed to apply property classification. The Illinois State Constitution of 1970 authorized counties with more than 200,000 residents to apply different assessment ratios depending on the type of property, as long as the highest class does not exceed 2.5 times the level of assessment of the lowest class.[15] Counties that would like to apply property classification must enact an ordinance.[16] These provisions allowed Cook County to enact an ordinance to classify property for assessment purposes, a practice it had been employing for many years prior to its legal authorization. Currently, Cook County is the only county in the State that has enacted an ordinance providing for property assessment classification.

In Cook County, vacant, farmland, and residential properties are assessed at 10 percent of market value. Commercial, industrial, and not-for-profit properties are assessed at 25 percent of market value. The result is that commercial and industrial taxpayers incur higher effective tax rates than residential property within the same taxing district. In addition to these general residential, commercial, and industrial categories, the classification includes various incentive classes that reduce the level of assessment on certain properties for a period of years. Commercial and industrial properties that are awarded an incentive class are assessed at the same percentage of market value as residential property for a ten-year period, which is renewable for certain classes. Table 2 provides an overview of the classes and assessment levels in Cook County.

[14] 35 ILCS 200/9-145

[15] Illinois Constitution, article IX, § 4

[16] 35 ILCS 200/9-150

Table 2. Cook County assessment classes

CLASS	DESCRIPTION	ASSESSMENT RATIO
1	Vacant	10%
2	Farmland, single-family residence, multi-family residential with 6 units or fewer, mixed-use commercial and residential building with 6 units or fewer and smaller than 20,000 square feet	10%
3	All other multi-family property	10%
4	Not-for-profit	25%
5a	Commercial	25%
5b	Industrial	25%
6b	Industrial development incentive	10%*
C	Industrial or commercial incentive for brownfield redevelopment (not renewable for commercial)	10%*
7a/7b	Commercial development incentive (not renewable)	10%*
8	Commercial or industrial incentive for development in areas in need of revitalization	10%*
9	Multi-family housing incentive for new or redeveloped buildings with 35% of units leased at rents affordable to low-or-moderate-income persons	10%
S	Multi-family incentive for Section 8 contract	10%
L	Landmark incentive (not renewable for commercial)	10%*

*Unless class is renewed after the initial 10-year period, year 11 is assessed at 15 percent and year 12 is assessed at 20 percent.
Source: Cook County ordinances §74-63 and §74-64.

When an incentive class is provided to a parcel that previously was assessed at the full value, the property tax burden is shifted from that parcel to other taxpayers within the taxing district. Typically, the property tax incentive class shifts the tax burden away from commercial or industrial properties receiving the incentive class and toward residential taxpayers as well as commercial and industrial properties not receiving the incentive.

To receive an incentive class, an application must be filed with the Cook County Assessor's Office. In addition, the municipality where the property is located must pass a resolution or an ordinance stating that the municipality supports the incentive class designation. Other taxing districts that would be affected by lowering the assessment level for the property do not have to provide approval. This report will address the industrial development incentive (6b), the commercial development incentive (7), and the incentive for commercial and industrial development in areas in need of revitalization (8).

For a Class 8 incentive, the property must be located in an Empowerment Zone in Chicago or in the South Suburban Tax Reactivation Project (Bloom, Bremen, Calumet, Rich, and Thornton townships). Otherwise, the area must be found to be economically depressed as shown by factors such as substantial unemployment, low median family income, aggravated abandonment, deterioration, and underutilization of properties, lack of viable commercial and industrial buildings, a pattern of stagnation or decline in property taxes, or a lack of economic feasibility for private development.

Analyzing local economic development incentives

Given varying reporting requirements, analyzing the effectiveness of locally-based economic development incentives presents some methodological challenges. Availability of information on locally-based incentive agreements made with businesses and developers varies by the incentive type and the community providing the incentive. Moreover, it is rarely possible to prove that a development would not have happened but for an incentive or whether an incentive caused positive or negative economic development outcomes for a community or for the metropolitan region. As a result, most previous research has focused on using indirect methods of assessing the impact of incentives rather than on validating counterfactual statements that a development would or would not have occurred but for an incentive.

Much of the prior research on incentives has relied on broader datasets of property values to study the relationship between the use of incentives and changes in property values or other measures of growth.[17] Other researchers have used tax differences among states or communities to assess the impact of incentives on development.[18] In contrast, CMAP is interested in specific information about the use of incentives, such as the structure of the agreements, the context under which they are used, what types of industries received them, and the extent to which the use of incentives aligns with sustainable development goals outlined in GO TO 2040. This focus had a direct effect on the research methods utilized by CMAP. A case study approach was used to obtain detailed data regarding how incentives were used for specific developments. Prior to selection of case studies, a larger dataset of incentives was compiled using publicly available information, and this was used to assess the prevalence of incentives in northeastern Illinois.

Methodology

To both analyze the prevalence of incentives and find appropriate case studies, CMAP compiled a list of developments known to have received incentives with the assistance of a consultant, S.B. Friedman Development Advisors. The completeness of the list depended on the data available. Where possible, the development, the location, the date, the incentive used, and

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[17] See Russell Kashian, Mark Skidmore, and David Merriman, "Do Wisconsin Tax Increment Finance Districts Stimulate Growth in Real Estate Values?" (working paper, Lincoln Institute of Land Policy, 2007); Rachel Weber, Saurav Dev Bhatta, and David Merriman, "Does Tax Increment Financing Raise Urban Industrial Property Values?" *Urban Studies* 40, no. 10 (2003): 2001-2021; Richard Dye and David Merriman, "The Effects of Tax Increment Financing on Economic Development," *Journal of Urban Economics* 47 (2000): 306-328; Richard Dye and David Merriman, "The Effect of Tax Increment Financing on Land Use." in *The Property Tax, Land Use and Land Use Regulation*, ed. Dick Netzer (Northampton MA: Edward Elgar, 2003), 37-61; John E. Anderson, "Tax Increment Financing: Municipal Adoption and Growth," *National Tax Journal* 43, no. 2 (1990): 155-163; Peter S. Fisher and Alan H. Peters, "Industrial Incentives: Competition among American States and Cities," Employment Research 5, no. 2 (1998): 1, 3-4.

[18] See Ernest Goss and Philip Peters, "The Effect of State and Local Taxes on Economic Development: A Meta-Analysis," *Southern Economic Journal* 62, no. 2 (1995): 320-333; Daphne A. Kenyon, "Theories of Interjurisdictional Competition," *New England Economic Review* (March/April 1997): 14-35; Michael Wasylenko, "Taxation and Economic Development: The State of the Economic Literature," *New England Economic Review* (March/April 1997): 38-52.

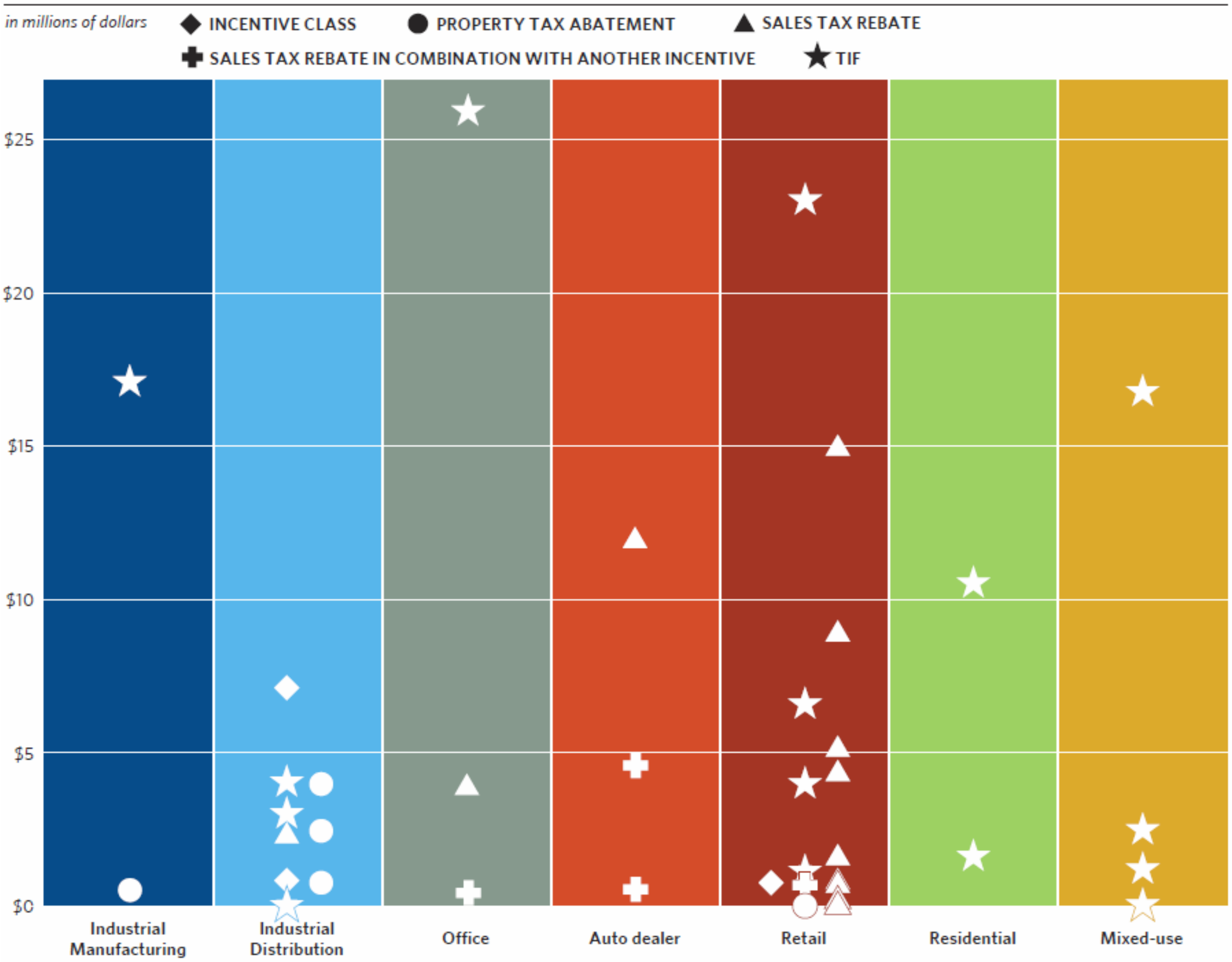
the amount were included. In conjunction with other publicly available datasets, this information was used to analyze the prevalence of economic development incentives in the region. The final list included 1,293 projects in TIF districts completed since 1999, 137 sales tax rebate agreements made since 1996, 2,440 buildings receiving a property tax incentive class in 2011, and 25 properties receiving property tax abatements since 2003 within the region. The TIF data and incentive class data represent a relatively complete set, while the sales tax rebate and property tax abatement data include only what was available through public records or other knowledge of these projects.

Next, a set of 40 case studies—19 TIF projects, 12 sales tax rebates, 6 property tax abatements, and 3 property tax incentive classes—were selected for further analysis. The aim of case study selection was to provide some diversity in terms of geography and development type. S.B. Friedman Development Advisors engaged in extensive research to gather more detailed data and information about these case studies. Data sources included publicly available data from state government, local governments, and the media, as well as information provided through interviews with the communities providing incentives in the case study developments. The case study information typically includes specifics on the type of firm, the structure and value of the incentive agreements, the goals governments have for using the incentives, and other dynamics specific to each development.

With this information, CMAP compiled statistics on transparency, prevalence, structure, type of development, and community goals in order to examine the how incentives are used by local governments. By looking at the types of development that receive incentives, CMAP analyzed the wider regional impact of the case study development types, measured by the extent to which the expansion of different kinds of industries supports additional economic activity within the region. While it is not possible to verify whether a specific development would have occurred without an incentive, CMAP looked more broadly at the role of incentives in site selection and local government decision-making to drill deeper into the dynamics between incentives and regional economic development.

The following chart provides an overview of the types of developments included and the amount of the incentives provided to the developments in the 40 case studies analyzed for this report. The amounts committed, expended, or estimated to be expended on development projects for each case study were primarily less than $5 million. Developments receiving property tax abatements tended to collect smaller incentive amounts, while developments funded with TIF received large amounts in several instances. Whereas TIF funding is a tool used across a range of development types, other incentives tend to be slightly more focused in their application. Sales tax rebates were predominately used for retail and auto dealerships, but they also played a role in other sales tax-generating establishments that were actually offices or distribution facilities. These offices are established as sales offices or credit offices, and are sometimes also the headquarters location of a business. Industrial users may be manufacturers or distributors that also sell on-site or, like a grocery delivery service, have no retail outlets.

Figure 2. Incentive estimated amounts spent or committed to be spent across forty case studies, by development and incentive type



Note: Depending on the case study, amounts include dollars previously expended, projected to be expended, or committed to be expended.
Source: Chicago Metropolitan Agency for Planning analysis of developments, appendix of Examination of Local Economic Development Incentives Report.

Transparency of locally-based incentives

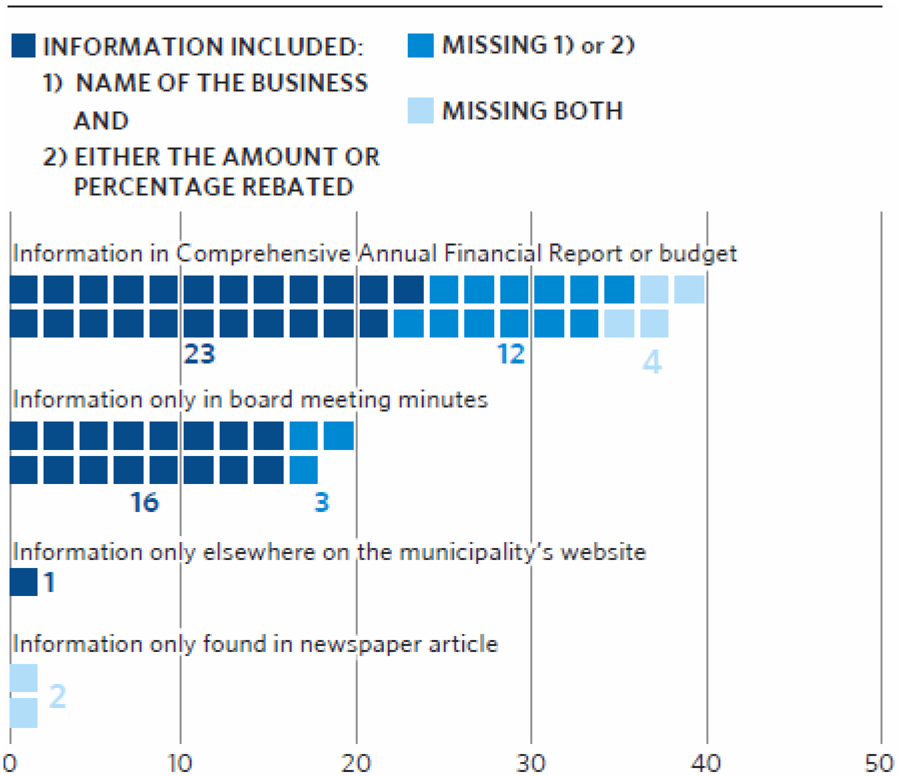
Overall, the transparency of data and information on local economic development incentives proved to be extremely uneven. No comprehensive source for data on local incentives currently exists. For TIF districts, municipalities must provide annual reports to the Illinois Office of the Comptroller, by law.[19] These reports provide basic information about project spending, contracts, and other financial obligations in TIF districts, but not all municipalities are in compliance with the law. However, there are effectively no penalties for failing to provide annual TIF reports, and several municipalities have never provided them. As a result, CMAP was unable to include those municipalities in this analysis.

[19] 65 ILCS 5/11-74.4-5 and 65 ILCS 5/11-74.6-22

The Illinois Department of Revenue's sales tax rebate reporting provides information on current sales tax rebate agreements, but this does not include sales figures, sales tax revenue collected, and the amount of tax revenue rebated. Some municipalities make this sales tax rebate agreement information available in publicly available documents, while others do not.

Prior to the availability of the Illinois Department of Revenue sales tax rebate reporting, CMAP utilized a variety of sources for data collection on sales tax rebates, including municipal budgets, municipal comprehensive annual financial reports (CAFR), and newspaper articles. CMAP was able to determine that at least 61 municipalities in northeastern Illinois have made sales tax rebate agreements since 1996. After including the IDOR reporting data, CMAP determined that 137 municipalities in northeastern Illinois have actually used this tool. The following figure provides an overview of how the 61 municipalities that were established prior to the release of the IDOR reporting database currently share this data.

Figure 3. Sales tax rebate data collection for 61 municipalities



Source: Chicago Metropolitan Agency for Planning analysis of various sources, including news articles, municipal budgets, and municipal comprehensive annual financial reports.

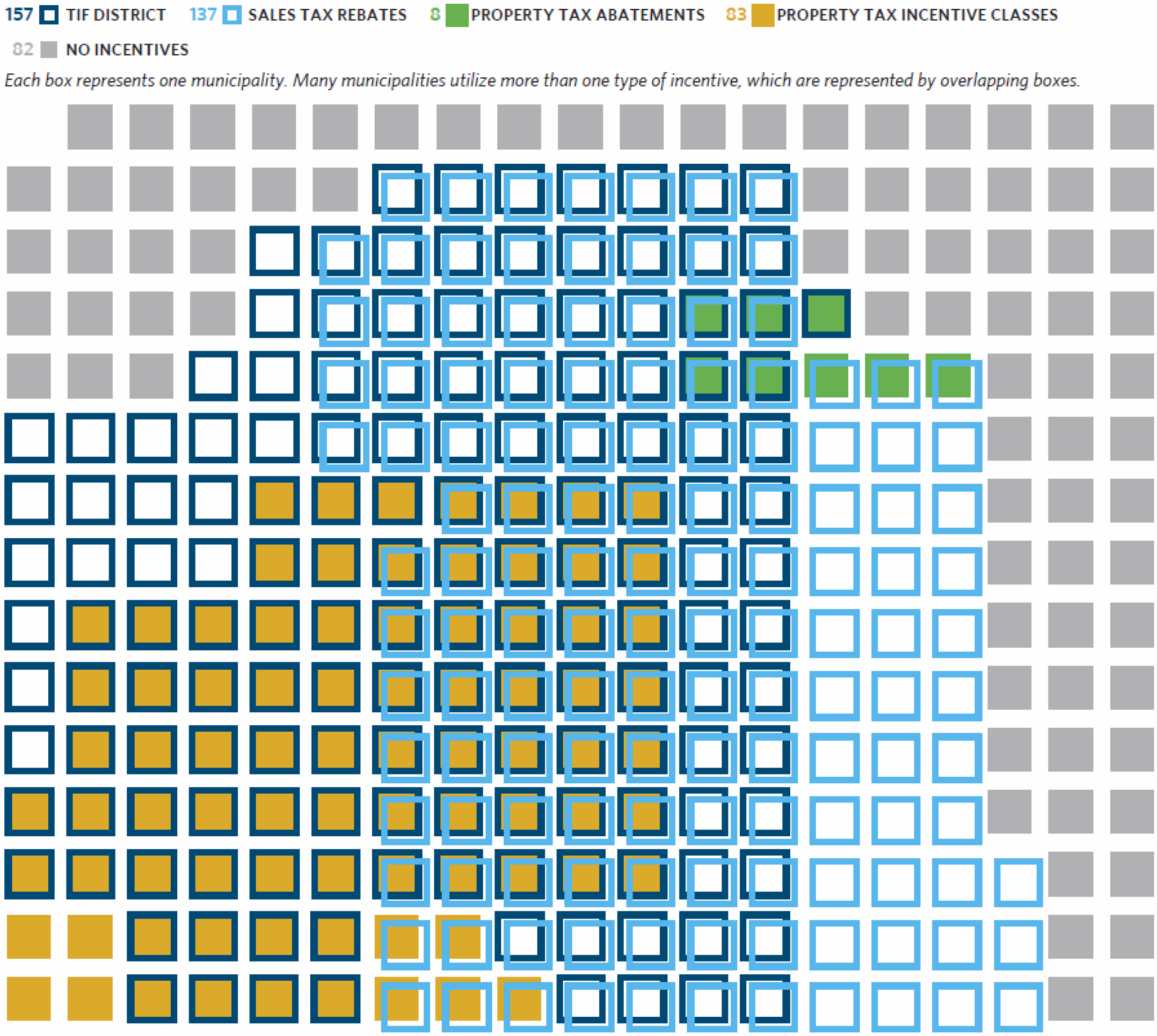
This figure only includes municipalities from which CMAP was able to obtain data. As a result, it is heavily weighted toward municipalities that provide data in accessible ways, such as through their annual budgets or CAFRs. However, just 23 out of the 61 municipalities provided key information like the name of the business as well as information about the terms of the agreement in their CAFR or budget. For savvier members of the public, much of this information could be found by reading publicly-accessible council or board meeting minutes.

CMAP was unable to obtain a comprehensive source for property tax abatements. IDOR has information on the annual amount of property taxes abated aggregated by county. Only Will County provides a list of abatements by parcel and taxing district. CMAP was also able to obtain information about several other property tax abatements from newspaper articles as well as directly from a limited number of taxing districts like Lake County. CMAP also has information on all parcels receiving an incentive class through the Cook County Assessor's Office, including the location, the taxpayer name, the assessed value, the size of the land and the building, as well as specific details about the improvements to the property.

Prevalence of local economic development incentives

Overall, the majority of municipalities in the region, 202 out of 284, are known to have deployed at least one of these four incentive tools in recent years. The figure below shows numbers of municipalities with a current TIF district, a known use of sales tax rebates since 1996, a current Cook County property tax incentive class, and/or a known current property tax abatement. Again, due to data limitations, this figure does not represent the full universe of local economic development incentives. Rather it is meant simply as a snapshot of the municipalities in the region that utilize incentives.

Figure 4. Number of municipalities known to have used locally-based incentives, 1996-2013



Note: Includes current incentives, except for sales tax rebates, which include current incentives as well as any known use of sales tax rebates since 1996.
Source: Chicago Metropolitan Agency for Planning analysis of various sources, including annual TIF reports, Illinois Office of the Comptroller data, Cook County Assessor data, news articles, municipal budgets, and municipal comprehensive annual financial reports.

Tax Increment Finance districts

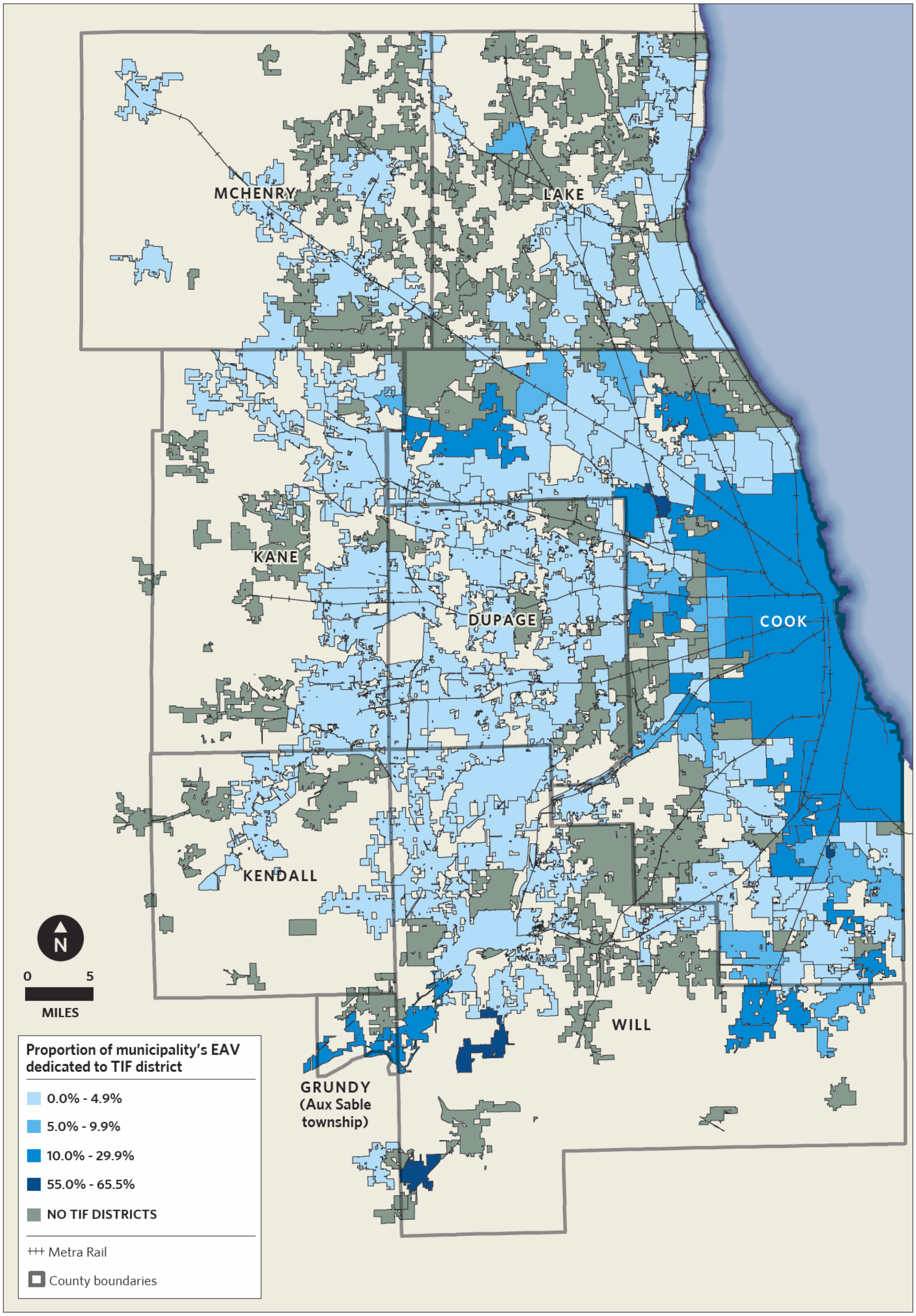
The use of TIF is extremely common in northeastern Illinois. Figure 5 provides an overview of the 157 municipalities that currently have TIF districts.[20] The map breaks down this information further by showing the incremental EAV within TIF districts relative to the total EAV within the municipality. This shows how much of the municipality's property tax base is dedicated to generating revenues for its TIF districts. Most municipalities with TIF have only one district and the tax increment accounts for less than 5 percent of EAV. In 20 municipalities (including

[20] Newer TIF districts may not yet have expenditures on development projects.

the City of Chicago and 19 suburban municipalities), TIF accounts for 10 to 30 percent of the total EAV. This represents a substantial proportion of a municipality's EAV, and thus may lead to higher tax rates over time for overlapping jurisdictions. On the more extreme end, incremental TIF EAV accounts for more than half of the base in four municipalities. This means that the current incremental EAV for the TIF district is greater than the regular EAV, and the TIF district has a larger tax base than the municipality and any other taxing district that generates revenues from property within that municipality.

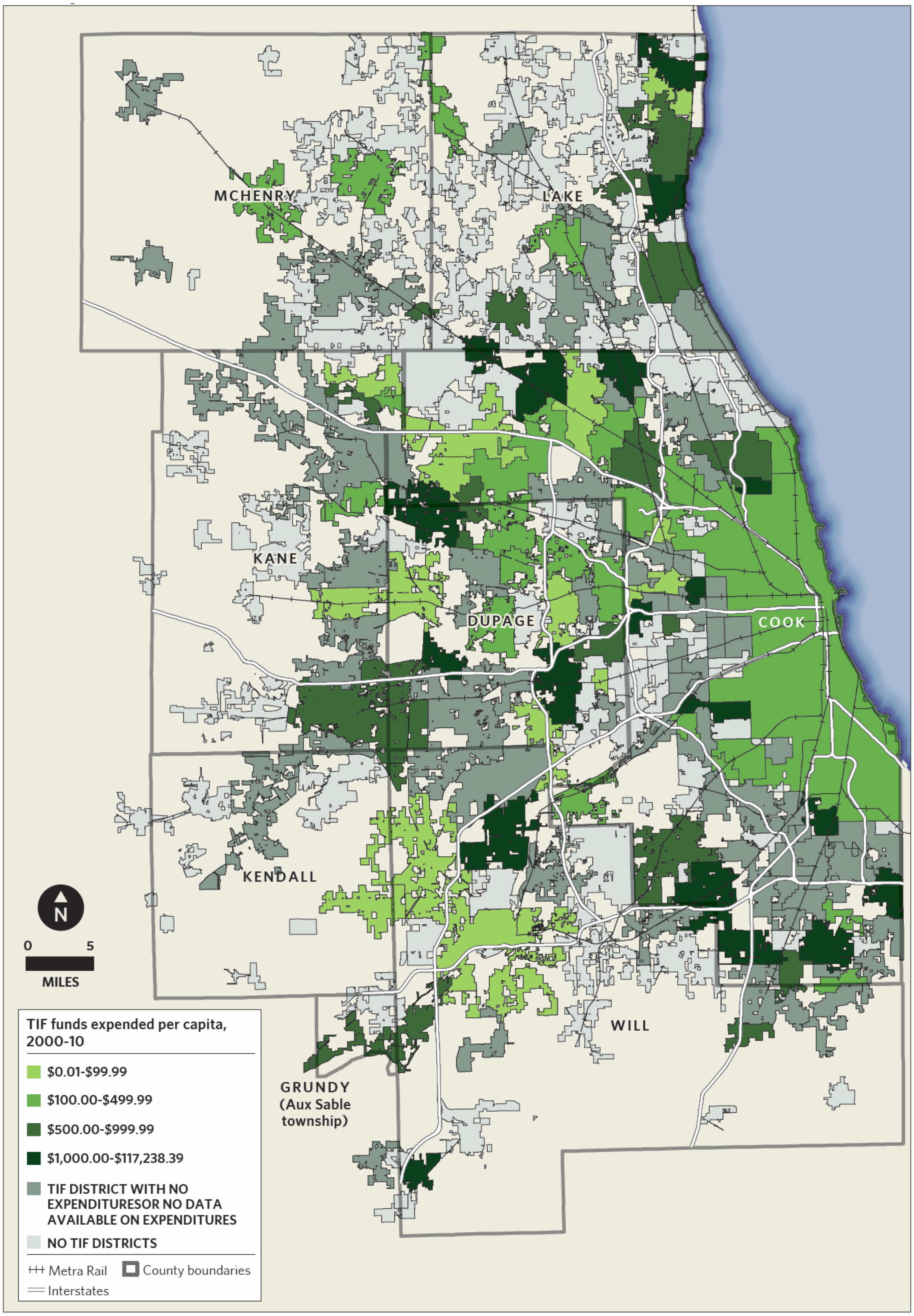
Figure 6 summarizes public TIF expenditures per capita between 2000 and 2010, by municipality, showing a range of $0 for TIF districts that have not yet begun to spend their revenue or have not yet generated incremental revenue, up to $117,238 in expenditures per capita made on economic development or infrastructure projects within the TIF district from incremental revenues generated. Overall, spending totaled $2.6 billion during the period.

Figure 5. TIF incremental EAV relative to total EAV, by municipality, 2010



Note: No municipalities fell between 30% and 55%. Source: Chicago Metropolitan Agency for Planning analysis of Illinois Department of Revenue data.

Figure 6. TIF funds expended between 2000 and 2010, per capita

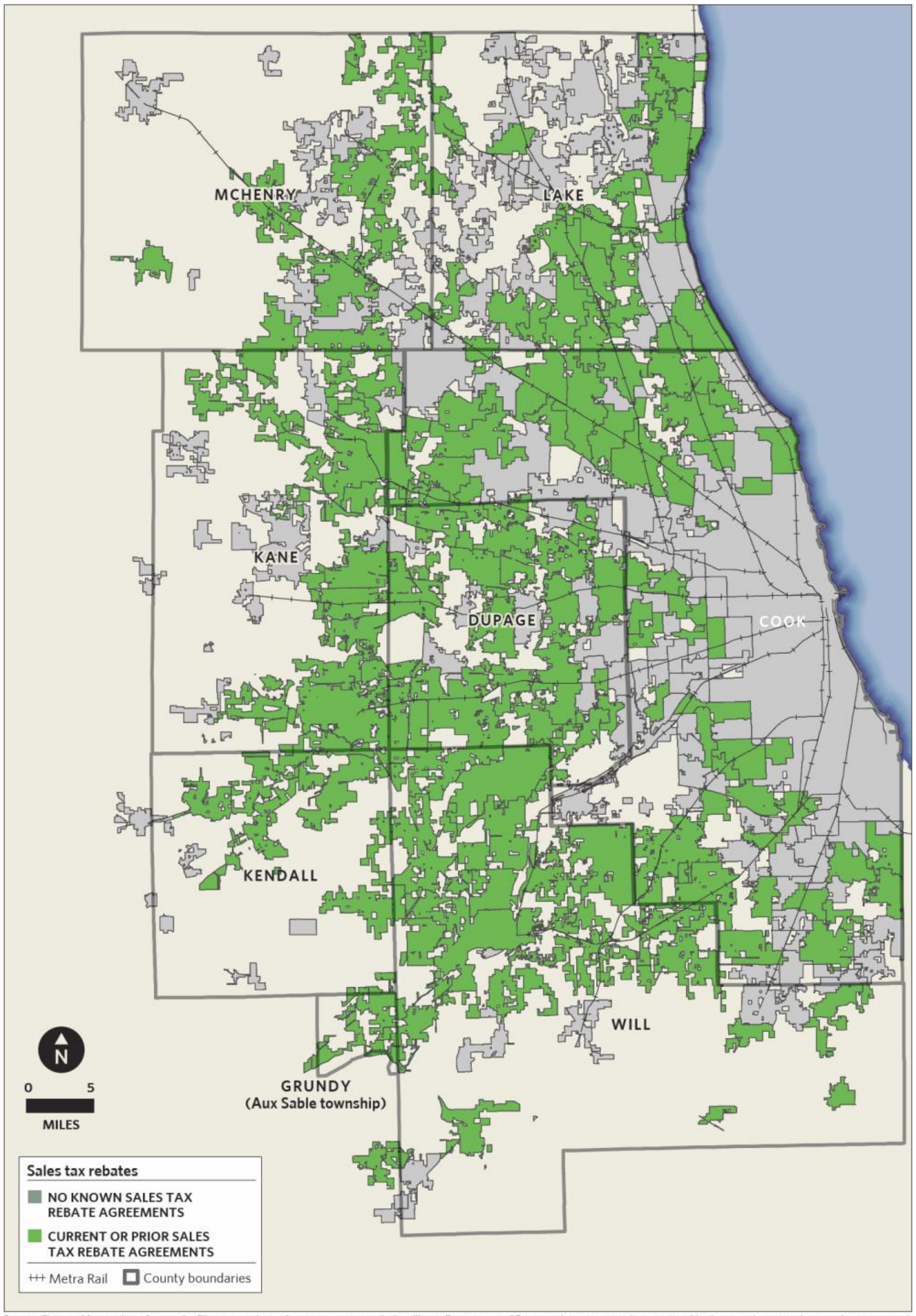


Source: Chicago Metropolitan Agency for Planning analysis of data from annual TIF reports and U.S. Census Bureau.

Sales tax rebates

Based on available information, at least 137 municipalities (and one county) are known to have utilized sales tax rebates since 1996. These municipalities were identified based on CMAP's research of past and current sales tax rebate agreements as well as information on all current agreements made available via Public Act 97-0976. The following map provides an overview of the municipalities that CMAP determined have past or current sales tax rebate agreements.

Figure 7. Municipalities known to have utilized sales tax rebates since 1996



Source: Chicago Metropolitan Agency for Planning analysis of various sources, including Illinois Department of Revenue data, news articles, municipal budgets, and municipal comprehensive annual financial reports.

Prior to the availability of the database on all current sales tax rebate agreements, CMAP identified 138 sales tax rebate agreements across 62 local governments. From its primary research on sales tax rebates, CMAP was able to determine which development types typically receive these incentives. Not surprisingly, retail makes up most, though not all, of these development types. Of the 138 total agreements identified, 45 (33 percent) were used for auto or other vehicle dealerships. Supercenter/discount stores, shopping centers, home improvement stores and other large retailers also received a large percentage of sales tax rebates, and in recent years, grocery stores have become a more common recipient of sales tax rebates. Furthermore, some agreements are made with sales offices and distribution centers that generate sales tax. The following table provides an overview of the types of sales tax rebates identified by CMAP, as well as the average total rebate amount provided to each developer or business. A portion of these developments may have received other incentives in addition to the sales tax rebates.

Table 3. Sales tax rebate agreements and average amounts by development type

DEVELOPMENT TYPE	NUMBER OF AGREEMENTS IDENTIFIED	AVERAGE AMOUNT OF SALES TAX REBATE
Auto or other vehicle dealership	**45**	**$886,944**
Supercenter/discount store	**18**	**$3,771,243**
Shopping center	**16**	**$2,461,500**
Sales or distribution	**13**	**n/a**
Grocery or drug store	**10**	**$1,360,281**
Other large retailer	**8**	**$551,250**
Home improvement store	**7**	**$2,452,840**
Electronics	**6**	**$2,317,750**
Department store	**4**	**n/a**
Restaurant	**4**	**n/a**
Entertainment	**3**	**n/a**
Other	**3**	**n/a**

Note: Average assistance amounts were based on available data on sales tax rebates only. Many projects receive assistance from multiple incentive types, and the dataset only includes sales tax rebate amounts for most developments. Averages for categories were excluded when more than half of the agreements had no data available on the amount of assistance.

Source: CMAP analysis of various sources, in cluding news articles, municipal budgets, and municipal comprehensive annual financial reports

Property tax abatements

Based on available data, property tax abatements appear to be less widespread in the region than other types of incentives. CMAP has not identified a comprehensive set of examples throughout the region because, while IDOR provides data on abatement totals by county, publicly available information on individual agreements is limited. Property tax abatements appear to be used most frequently for industrial properties. Sometimes property tax abatements are used in conjunction with other types of incentives, like sales tax rebates. The following table provides a summary of general abatements used in the region in 2009, relative to the total amount of property taxes extended to taxpayers by all local governments, by county.

Table 4. General authority property tax abatements for tax year 2009

COUNTY	TOTAL PROPERTY TAX ABATEMENTS	TOTAL PROPERTY TAX EXTENSION	NUMBER OF PARCELS RECEIVING AN ABATEMENT
Kane	**$29,498**	**$15,793,394,824**	**27**
Kendall	**$383,512**	**$3,369,658,049**	**1**
McHenry	**$86,098**	**$10,435,655,050**	**124**
Will	**$1,228,754**	**$22,240,823,906**	**4**

Source: Illinois Department of Revenue, 6/21/2013.

A single development receiving a property tax abatement will typically be awarded abatements from more than one taxing district. Because abatements are typically applied as a flat percentage of the tax bill, the value of the abatement is typically higher for taxing districts with higher tax levies. Just as most property tax revenues go to school districts, the value of abatements provided is also highest for school districts. Counties, municipalities, and to a lesser extent, townships and special districts, also provide general abatements to property owners.

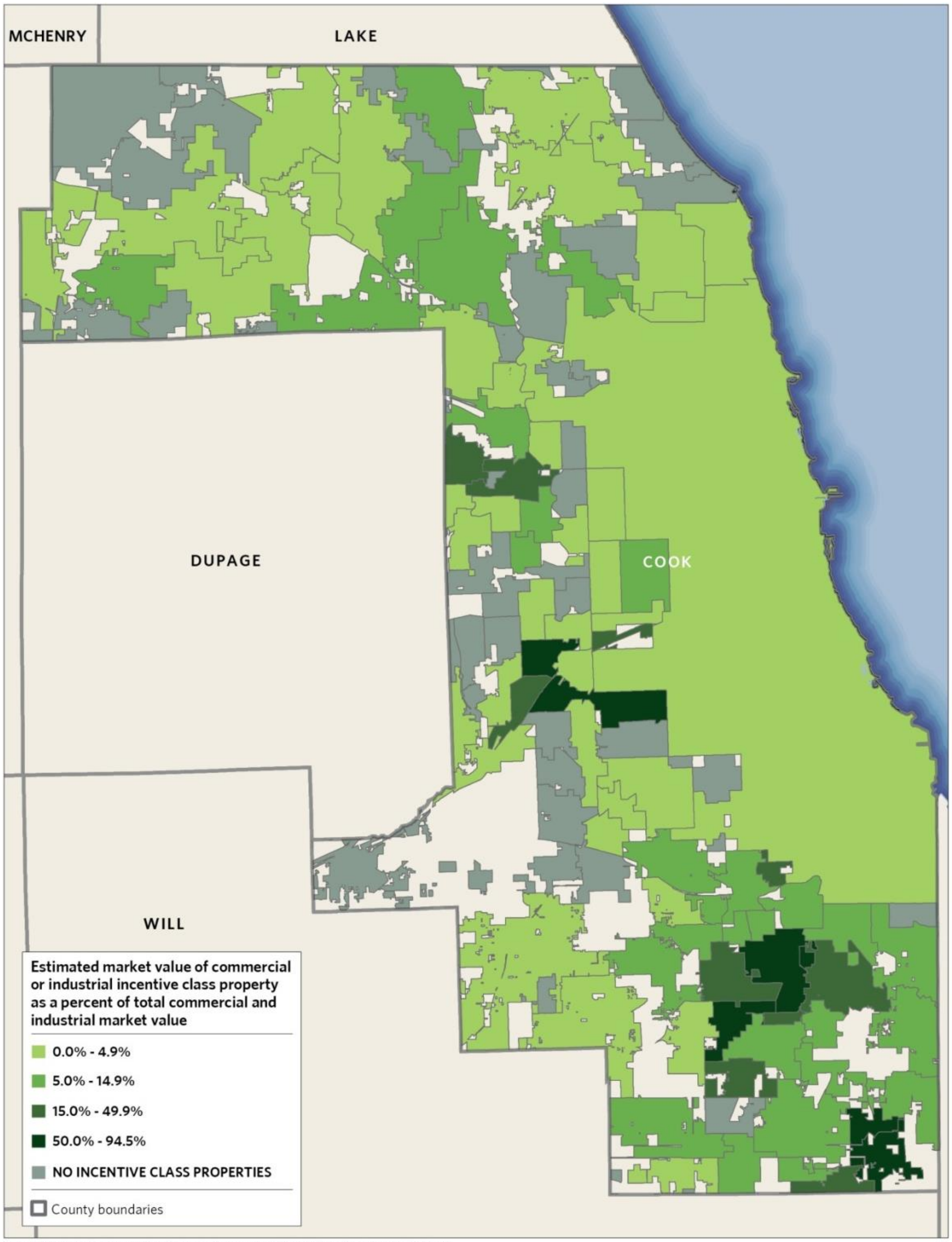
Property tax incentive classes

In Cook County, property tax incentive classes are widely utilized. In 2011, 2,440 commercial or industrial buildings had an incentive class in 83 municipalities (out of 134 total municipalities either completely or partially in Cook County).[21] The popularity of the incentive classes is one indicator that the Cook County property tax assessment classification system adversely affects the tax burden for businesses. To the extent that communities provide commercial and industrial taxpayers with incentive classes, they can change this dynamic somewhat by shifting the tax burden back toward residential properties as well as other commercial/industrial properties not receiving this incentive.

[21] Analysis of data from Cook County Assessor

The following map provides an overview of the estimated market value of commercial and industrial incentive class parcels relative to the estimated market value of all commercial and industrial parcels, by municipality. All of the municipalities with more than half of their commercial and industrial property in an incentive class are in an Enterprise Zone, a specific area targeted by the State of Illinois for tax rebates, exemptions, and other incentives to stimulate business development and retention. Most Enterprise Zones encourage municipalities to offer incentive classes to property owners.

Figure 8. Estimated market value of commercial/industrial incentive class properties as a percent of total commercial and industrial market value, by municipality, 2011



Source: Analysis of data from Cook County Assessor and SB Friedman Development Advisors.

The use of incentive classes has become more prevalent in recent years. The number of commercial and industrial properties in Cook County receiving an incentive class has increased 35.5 percent, and incentive class properties share of total estimated market value of commercial and industrial properties increased from 3.5 percent to 5.8 percent between 2007 and 2011.

Implications

Economic development incentives are widely used in northeastern Illinois. Clearly, there is an interest among northeastern Illinois communities in attracting and retaining economic development, and communities believe that utilizing incentives will make them a more viable location. In some cases (sales tax rebates and TIF funding) this results in a direct financial outlay to businesses and developers. For property tax incentive classes, and to some extent property tax abatements, the tax burden is reduced for businesses and developers, and that burden is shifted to other taxpayers. In all cases, the incentive, as well as the resources used to negotiate the incentive, represents an investment in economic development outside of ongoing public services and capital projects. Incentives also promote specific land uses within the region's communities, with potential long-term impacts.

TIF use in the region is pervasive and around 5 percent of the region's total property tax base goes toward generating revenue for public and private development projects in these specific areas. For some communities, TIF accounts for a large portion of the overall resources for capital projects. Maintaining and replacing capital infrastructure is a basic function of municipalities and, while municipalities' resources to fund capital improvements may be constrained by political or economic factors, the need for substantial use of TIF for funding capital improvements may indicate that sufficient municipal funding for capital improvements had not been set aside over the long term.

For sales tax rebates, extensive use indicates that significant amounts of sales tax revenue are being paid to private developers and businesses. Communities receive a portion of state sales tax revenue generated within their borders. This situation motivates municipalities to provide sales tax rebates, because if they cannot attract the sales tax-generating establishment, they receive no sales tax revenue. However, the purpose of state sales tax revenue sharing is to provide resources for the public services that support the sales-tax generating development. The provision of sales tax rebates means that a portion of the revenues are being paid to private firms rather than being used for public services. Either the rebates result in unmet public service needs, or the sales tax revenue generated was beyond the amount needed to cover public service needs within the community that attracted the retailer.

The prevalence of Cook County incentive classes indicates that the property tax assessment classification system impedes economic development in many communities in Cook County. The tax burden shift created by classification results in businesses in Cook County shouldering more of the property tax burden than residents. This disproportionate burden does not exist in the collar counties. To the extent that communities provide all commercial and industrial taxpayers with incentive classes, they remove this tax burden shift.

Lastly, limited data availability makes it difficult to determine exactly how many local governments are utilizing incentive tools, though a rough order of magnitude can be determined using other methods. Most communities in northeastern Illinois are utilizing incentives, but many are not providing taxpayers with complete documentation of how this public money is being spent. Transparency is essential to good governance and accountability, but the transparency of data on local incentives is uneven. Like disclosing any other budgetary or financial reporting of local government expenditures of tax revenues, it is important to provide taxpayers with a full accounting of the incentives used for economic development projects and the incentives provided to businesses and developers.

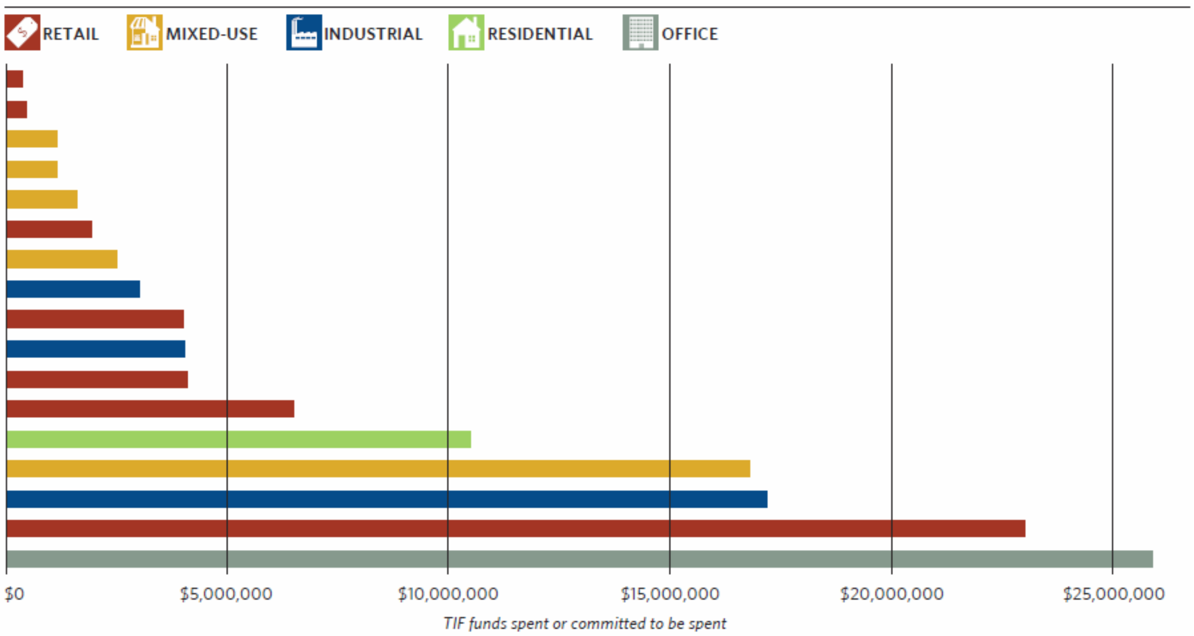
Structure of incentive agreements

The structure of incentive agreements varies across incentive type and the development itself. The exception is the structure of Cook County property tax incentive classes, which all provide the same assessment reduction from 25 percent of market value to 10 percent of market value. In addition, many developments receive multiple incentives, which may include state or federal incentives. Using the 40 case studies, the following summarizes the common structures of TIF, sales tax rebate agreements, and property tax abatements, across the region.

Tax Increment Financing

In the case studies analyzed by CMAP, TIF agreements provided or committed a wide range of funding ($380,000 to $26 million) for private developments. The amount of funding depended on the size of the project, the level of public improvements provided, and the extent that development in the TIF district has actually occurred and generated incremental revenue. Unlike other incentives, TIF funding to a project is not limited to the amount of property or sales tax revenue generated by the development receiving funds. Any incremental property tax revenue generated within the TIF district can be used to fund a project. Figure 9 provides an overview of TIF funding provided or committed to developments in the case studies.

Figure 9. Amount of TIF funding provided or committed in CMAP case studies



Source: Chicago Metropolitan Agency for Planning analysis of developments, case studies in appendix of Examination of Local Economic Development Incentives Report.

TIF spending tended to be larger than spending for other incentives. Case studies receiving only TIF and no other local incentives accounted for 16 of the 40 case studies, but for more than half of the amounts spent or committed. In contrast, sales tax rebates (alone or in tandem with another incentive) accounted for 17 case studies, but the amount spent, committed, or projected to be spent was only half of TIF. In part, this may be a result of the incomplete data on amounts spent and committed for sales tax rebates. Property tax abatements and incentive classes tended to provide smaller amounts than TIF and sales tax rebates. To some extent, many TIFs have more capacity to generate revenue than the amounts provided to other incentive types. They tend to have boundaries larger than the size of any particular development project and funds are generated over a 23-year period.

When municipalities provide TIF funding to a private or non-profit entity, they create a redevelopment agreement (RDA) that governs the amount of TIF funds provided and any requirements that a developer or non-profit must meet to receive those funds. Other taxing bodies can also receive TIF funds for capital projects, via an RDA or memorandum of understanding. An RDA will provide details on the development project, as well as what aspects of the development project will be paid for with TIF funds. A private developer may also be subject to requirements such as the type of development to be constructed, the size of buildings, amount of parking, affordable housing units, number of jobs retained or created, consideration of community residents for jobs, or the amount of open space. Some agreements include clawback provisions that require developers to repay TIF funds if these requirements are not met or prevent developers from receiving TIF funds at all.

The developer may be paid with the incremental property taxes generated by the TIF, or incremental property taxes may be used to pay off a bond issued to provide funding for the project, or both. Payments to the developer may be made at once or as project milestones are met, such as the completion of a building. Agreements are structured such that the municipality is not required to utilize its general revenues if the revenues generated by the TIF are insufficient to meet funding commitments.

How have municipalities used clawbacks in incentive agreements?
Several of the agreements reviewed for the case studies included clawback provisions. Clawbacks allow communities to ensure that their goals for the incentive are met, such as long-term occupancy of a property or additional jobs.

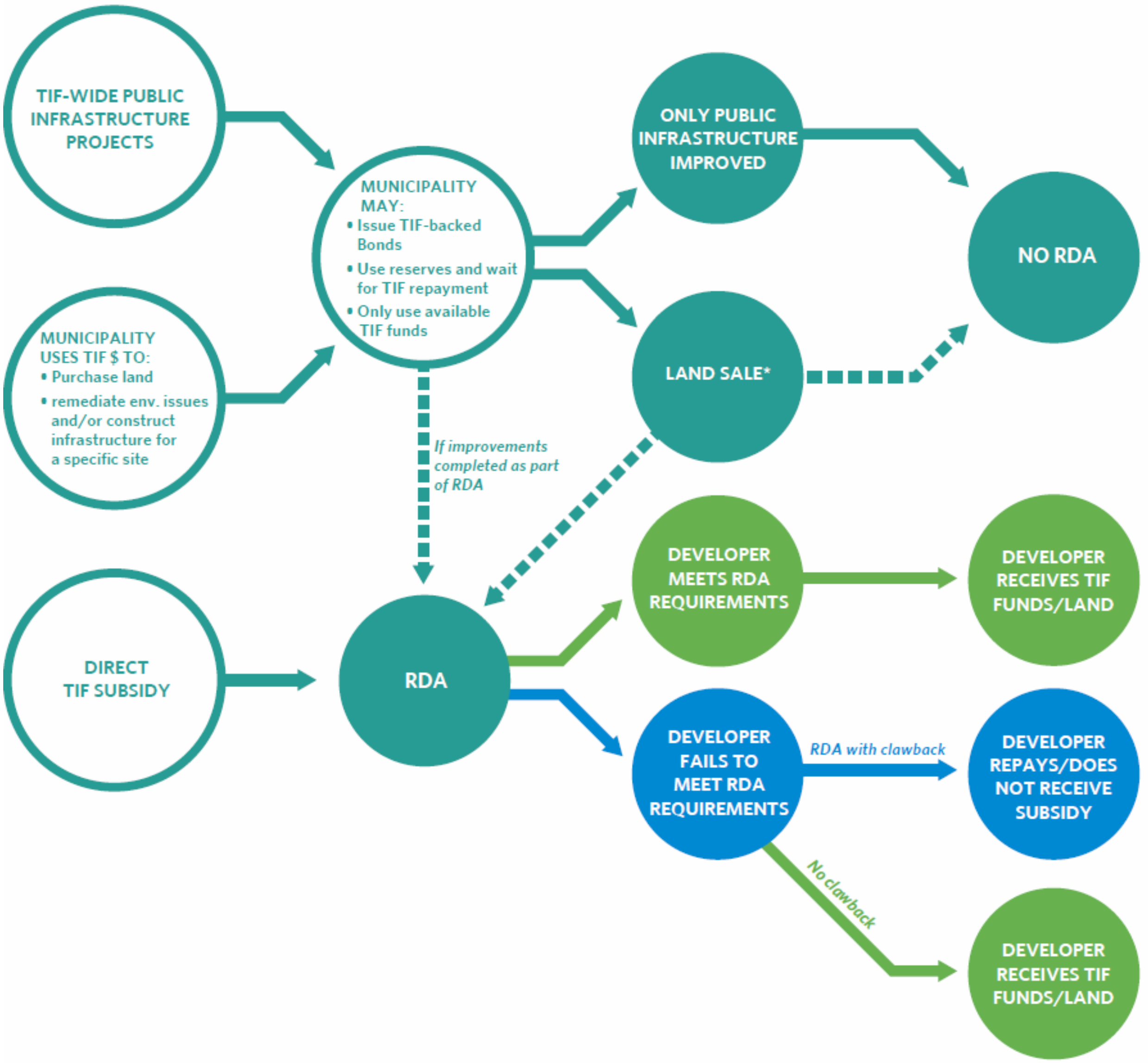
For example, Downers Grove required Bill Kay Nissan to purchase the property, remodel the property, install a public sidewalk, and continue to operate the dealership on the property for at least 12 years. If Bill Kay Nissan ceased to operate during years 1 through 3 of the agreement, all sales tax rebate and TIF reimbursement must be repaid. The repayment amount dropped to 75 percent during years 4 and 5 and 50 percent during years 5 through 10.

For the Chicago Manufacturing Campus, the City required Ford to operate the assembly plant and provide at least 750 jobs for a ten-year period at the supplier park, and lease at least 75 percent of the supplier campus during the initial ten-year period. In addition, for a 60-month period (not required to be consecutive) during the ten years, at least 1,000 jobs must be provided.

Clorox received property tax abatements from eight taxing districts to locate in Minooka in 2006. The abatements required the company to stay until 2012. When the company relocated to University Park in 2011, they were required to repay the $773,000.

However, TIF funds can be expended in many ways beyond directly assisting a private development. For example, TIFs can fund district-wide infrastructure improvements, assist overlapping taxing districts with capital projects, be used to assemble land, or improve problematic sites prior to any prospective development projects. In the latter cases, a developer may subsequently be sold that land at a price that meets market constraints but is below the cost of improvements done by the municipality. This is effectively a TIF subsidy, but may not generate an RDA or other contract requiring specific developer improvements in exchange for the land cost write-down, although statute does require that the municipality pass an ordinance approving the sale. Alternatively, a municipality may utilize TIF funds to complete improvements like streetscaping, storm sewer improvements, street repaving, or other projects. These projects can improve an area's attractiveness to private development, but will not lead to an RDA with subsequent private developers. Figure 10 indicates common TIF funding and RDA scenarios.

Figure 10. Tax Increment Financing (TIF) and Redevelopment Agreement (RDA) scenarios



*Statute requires an ordinance approving the land sale, but not an RDA.
Source: Chicago Metropolitan Agency for Planning analysis.

Note: This graphic outlines several common ways in which developers can receive a TIF subsidy and how community stipulations regarding project outcomes may impact the conditions attached to that subsidy. Indirect subsidies like infrastructure improvements are covered in the top third, and processes for direct TIF assistance are covered in the bottom third. Land write-downs and remediation activities may be direct or indirect subsidies, depending upon the agreement structure, and are covered in the middle of the chart.

Sales tax rebate agreements

Sales tax rebates are typically structured by rebating a set proportion of sales tax revenues for a period of years, or until a certain maximum rebate is met. In some agreements, the retailer must meet a certain sales threshold before the municipality will rebate the sales taxes. In some cases, the developer requests reimbursement for an infrastructure improvement, and the reimbursement is made by the municipality through the sales tax rebate. In other cases, municipalities use rebates as an incentive to attract or retain a business or development that may have instead located elsewhere. The following table provides an overview of some typical components of sales tax rebates among the 17 case studies that received them.

Table 5. Components of 17 sales tax rebate agreements

	RANGE	MOST COMMON
Rebate proportion	**10% - 75%**	**50%**
Rebate term	**3 years – 100 years**	**10**
Maximum rebate (excluding none)*	**$300,000 - $5.1 million**	**N/A**
Sales threshold before rebate is given	**$0 - $75 million**	**$0**

*8 case studies had no maximum rebate

Some sales tax rebate agreements have clawback provisions. Such provisions require the business or developer to repay incentive funds if certain requirements, such as remaining in the community for a certain number of years, are not met.

Property tax abatements

Property tax abatements tend to follow similar structures. Property tax abatements are typically provided to a taxpayer by more than one taxing district. The structure of the agreement takes the form of a simple percentage of property taxes abated for a period of years, but the proportion of the abatement as well as the term may be different across taxing districts. The term of the abatement ranged from three to eight years in the case studies. In two of the case studies, 50 percent was abated for five years. In three other cases, the proportion abated decreased annually, in two cases going from 75 percent, to 50 percent, to 25 percent of property taxes, and in another case, going from 50 percent and gradually decreasing to 10 percent over the course of eight years. Property tax abatements may also include clawback provisions. The most common property tax abatements are statutorily limited to $4 million.

Implications

The structure of incentive agreements varies widely across incentive types, developments, and communities. This variation impacts the amount and duration of funding provided as well as the potential outcomes for municipalities. For example, the value of an incentive class is limited by the fact that they last for just 12 years if they are not renewed. On the other hand, TIF funding is generated over the course of 23 years, a period over which a substantial amount of funding can be generated. TIF funding is also generated for an area that is often larger than a specific development project and is generated from the entire aggregate property tax rate.

Sales tax rebates and property tax abatements typically provide lower levels of funding to developments than TIF because they usually last for significantly less than 23 years or are derived from tax bases and/or rates that are lower than the composite property tax rate used for TIF. However, several sales tax rebates have very large terms and no maximum rebate. In these cases, communities are committing to provide high levels of funds to businesses and developers; over time, these funding levels could reach well beyond the amounts provided through TIF. Moreover, there are no statutory criteria regarding how businesses and firms must use their sales tax rebates, unlike TIF, which requires that funds go toward public improvements or statutorily-defined private development costs.

However, TIFs can be used to support private sector development in many ways that are not easy to track, such as land consolidation with a lower-than-cost sale to a developer. While these types of actions are still taken to achieve a public good, such as redevelopment, they are less transparent than RDAs because they are not explicitly tracked and reported.

Over time, TIF funds and sales tax rebates have the potential to fund a substantial portion of a private development project. While this may be desirable in unique cases to support a specific public good, substantial diversion of public funds to private development projects should be undertaken only when the project meets key long-term planning goals and could not otherwise be achieved.

Local governments do have the ability to design TIF, sales tax rebate, and property tax abatement agreements in a manner that ensures that the funding is used to benefit the community. Local governments can include requirements in any rebate or TIF agreement, such as requiring the business or firm to stay in the community for a certain number of years, hire community residents, generate a specific level of tax revenue, or construct an infrastructure project. Tying funding to desired outcomes, gives local governments a certain amount of control over the investments they are making in private development. However, long-term local government funding commitments are often paired with shorter-term commitments by the private sector because businesses cannot necessarily commit to operating over the long-term. Even with clawback provisions, providing an incentive does not guarantee any particular short-term or long-term outcome, only that a municipality's potential loss is minimized. However, municipalities do not always exercise their ability to include these provisions, which can result in a loss of public funds.

Local policies governing locally-based economic development incentives

While state statute governs some aspects of local economic development incentives, some local governments have policies governing how economic development incentives are used within their community. The policies typically include criteria that must be met by developments to receive incentives such as adding additional jobs, increased sales tax revenue, construction of public improvements, minimum capital investments, or evidence of a financial gap in the development project's costs. Policies also sometimes include limitations on the amount of incentives that can be provided. The following section describes some examples of these policies and guidelines.

Some communities have policies that limit the value of the incentives that can be provided to developments. For example, Chicago TIF funding cannot not exceed $5,000 per job created or retained within the central business district or $10,000 per job created or retained outside of the central business district, although these limits are subject to change based on special merit considerations.

Both Homer Glen[22] and Highland Park[23] provide sales tax rebates for a maximum of ten years. Both limit rebates to 50 percent of revenues, but in Highland Park, the amount may be reduced to the extent that new revenues will replace revenues generated by previous or existing businesses. Also in Highland Park, existing businesses can receive a 75 percent rebate of incremental sales tax revenues generated above the prior year. St. Charles has a different method for limiting incentive amounts for TIF funding and sales tax rebates; assistance cannot exceed 75 percent of the total projected revenue for the development.[24]

Many communities also include criteria that developments must meet in order to receive incentives. As part of a related CMAP research project, 20 communities were interviewed about their use of fiscal impact analyses when considering land use decisions. The vast majority of communities interviewed indicated that a request for incentives generated the need for a fiscal impact analysis and/or an analysis of the return on investment that a community receives in exchange for providing an incentive.

Policies that include criteria tend to address specific attributes of the development or the expected results of the development in terms of additional jobs or increased tax revenue. For example, Highland Park only provides sales tax rebates for new businesses that make a minimum capital investment of $250,000 or existing businesses that generate at least $1 million in taxable sales annually. Crystal Lake has criteria for sales tax rebates that depend on the type of development. Auto dealerships must have at least $5 million in taxable sales and project costs of at least $250,000 for new dealerships and $1 million for existing auto dealerships.[25] In other communities, like Tinley Park, there are several ways that a development can meet criteria for receiving an incentive, including economic, fiscal, or meeting the community's targeted development needs.

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[22] Village of Homer Glen Board of Trustees Meeting, January 22, 2013, http://www.homerglenil.org/homerglenil/MinutesFolder/MinsBoard/BoardMinutes2013/M13-0122-BoardMeetingMinutes.pdf

[23] City of Highland Park, Sales Tax Rebate Program Guidelines to Facility Business Attraction and Retention, http://www.cityhpil.com/documents/3/sales%20tax%20rebate%20guidelines%20-%20revised%202012.pdf

[24] City of St. Charles Economic Incentive Policy 2009-4, March 2, 2009, http://www.stcharlesil.gov/sites/default/files/codebook/policies/2009-04/p200904.pdf

[25] City of Crystal Lake, Incentives, http://www.crystallake.org/index.aspx?page=133

In addition, some communities, like St. Charles, only provide sales tax rebates to developments that would not be financially feasible but for the incentive. Similarly, Yorkville[26] requires that developments have a defined gap between project costs and project revenues.

Some communities indicate that developments receiving incentives must be consistent with planning goals. Highland Park requires developments to be consistent with the City's comprehensive plan, while other communities like Chicago and St. Charles mention several planning goals that a development could meet, like the rehabilitation of historic structures or streetscape enhancement.

Fewer policies address the potential market viability of a development. Park Forest[27] requires that developments prove financial feasibility and that the development team have a minimum level of experience and commitment to the project. Without independent assessment of market feasibility, communities may invest in developments that have a high potential of failure. In these cases, communities may be required to invest additional funds to remediate the impacts of a failed development.

In the community interviews, several communities indicated that businesses and developers have come to expect incentives like sales and property tax abatements, and expressed the concern that if a community is unwilling to provide these funds, businesses will locate in a neighboring community. In fact, acknowledgement of this issue was found in St. Charles' incentive policy. The policy states that that it is not the City's intent that these incentives be used to relocate sales tax-generating establishments from neighboring communities or to allow requests for incentives "to induce a bidding war for City funds."

Just a few incentive policies were studied for this report, but many communities throughout the region have policies governing incentives. In the community interviews referenced above, several communities expressed the need for establishment of internal policies regarding incentives, such as placing maximums on the amount of funds available to a project or limiting incentives to expansion of existing businesses. Having policies in place is important to ensuring that any incentives provided for development are in line with established community goals. In addition, established procedures for analysis can ensure that communities determine the impact of the development prior to providing an incentive. St. Charles' policy states that developments that receive incentives must not place extraordinary demands on the City's infrastructure or services, which would likely have to be determined through fiscal impact analysis.

Overall, most local policies studied set out to limit incentive amounts or ensure that incentives were only provided to developments that would result in particular outcomes for the

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[26] City of Yorkville, Resolution No. 2008-46, Economic Incentive Policy, http://www.yorkville.il.us/docs/Economic_Incentive_Policy.pdf

[27] Village of Park Forest, Development Incentive Policy, http://www.villageofparkforest.com/clientuploads/Economic_Development/IncentivePolicy.pdf?PHPSESSID=2028d6

community. However, for any new development, residents of other communities may be employed at the business, may buy goods or service from the business, or may be involved in the production of goods that are sold at the business. Customers or employees may cross multiple jurisdictions to travel to the new development, burdening transportation and infrastructure networks in adjacent communities. Sometimes, the development itself is even relocating from a different community. From a regional perspective, these are key impacts, as other communities are always involved in a development's economic structure in some manner. Yet, the policies examined for this report did not consider how a project will impact other neighboring communities, including public service impacts on neighboring communities and whether the business was relocating from a nearby community.

Goals of incentives from the community perspective

From the case studies, CMAP was able to determine some of the goals that communities have stated for using economic development incentives. While these goals vary, commonalities emerge. The most frequent expectations from the local community's perspective are to grow the overall tax base, create jobs, and improve infrastructure, either on or adjacent to the site. While some of the incentives in the case studies were used for infill redevelopment of existing underutilized sites, others were provided for new greenfield development. The goals stated in incentive agreements are also commonly found in municipal comprehensive plans, but it is unclear from most incentive agreements and ordinances if there is a direct connection between provision of an incentive and planned goals.

Within the case study set, approximately half of the retail, office, and industrial development case studies included stated economic and fiscal goals. Economic goals included increasing employment, and were accomplished either through direct subsidies or funding of infrastructure improvements on behalf of a development project. Infrastructure was part of all case studies where TIF funding was provided.

Incentives for infill development

A number of the incentives provided to case study developments were used to encourage infill development in existing communities. For example, the Klee Building in Chicago was redeveloped using $1.2 million in TIF funds. Redevelopment was completed in 2007, resulting in 64 residential units (13 affordable), and 20,000 square feet of retail and office space. The total development cost was $18.7 million, which includes rehabilitating the Klee Building, demolishing three other neighboring buildings, and constructing two new buildings to complement the Klee Building.

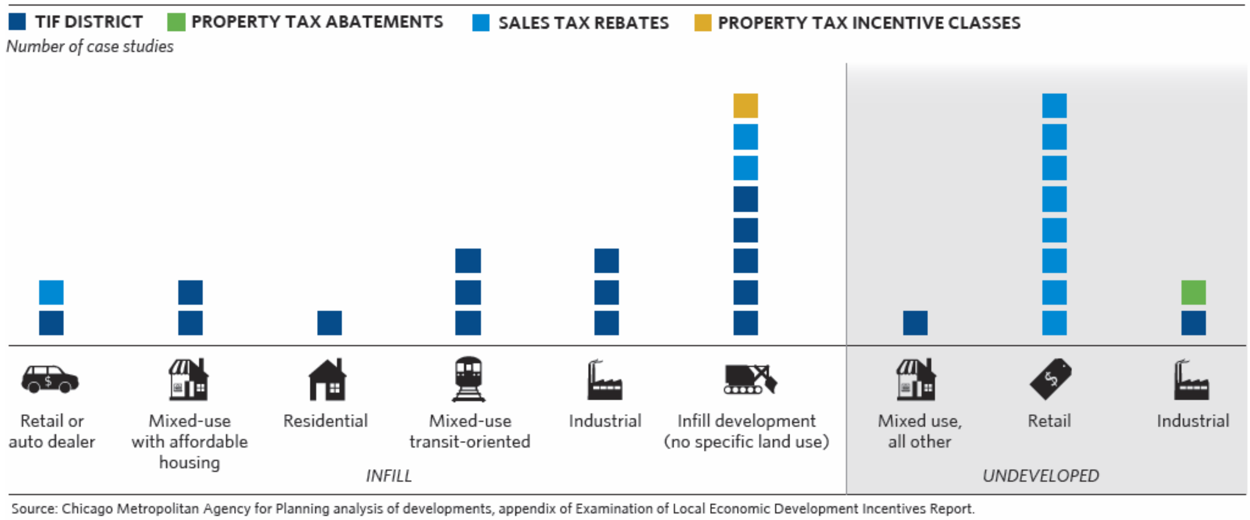
In several case studies, sales tax rebates were used to fund infrastructure projects. Sales tax rebates tend to fund infrastructure work required to support the new development, such as road, utility, traffic signal, landscaping, façade improvements, and stormwater detention work. These infrastructure improvements are required by local jurisdictions to ensure that the project does not degrade existing infrastructure networks. To make a site more attractive to developers, communities provide reimbursements for these required infrastructure improvements through sales tax rebates. TIF funds can be used for similar improvements if the area also meets blight conditions, but are often targeted toward more unusual costs such as environmental remediation, stabilizing poor soil conditions, or land assembly in a previously-developed area. The intent of funding these kinds of projects is to encourage desired development on sites that have costs and/or risks well above that which the market would normally bear.

Incentives for brownfield development

Many of the incentives provided to case study developments were used to encourage development where extraordinary development costs made the site less attractive to developers. In Broadview, a 63-acre parcel previously served as a parts distribution warehouse, but had been vacant since 1992. The 22nd & 17th Avenue TIF district was established in 1993 to attract developers to the site. Broadview Village Square opened in 1994 at a cost of $65 million. Anchors include a SuperTarget and a Home Depot. A $23 million bond was issued to pay for site preparation including demolition and remediation.

Incentives are typically used to encourage certain types of land uses or implement any number of stated planning goals, from affordable housing and transit oriented development to shopping centers and industrial parks. Figure 11 analyzes the stated land use goals across 27 case studies where this information was provided, and organizes the results by development type and whether the development is considered infill. The majority of the case studies involved infill developments of various types, from mixed-use, transit-oriented development to retail. A lesser percentage involved non-infill land that is undeveloped, or greenfield development.

Figure 11. Use of incentives by stated land use goal



Some communities have found that incentives can help catalyze infill development or make difficult sites more attractive to a developer or business. Incentives can also fill the gap between development costs and market prices for residential developments, including affordable housing and mixed use developments. Higher costs associated with these types of development include environmental remediation, decked or underground parking, site assembly in an area with many landowners, higher construction costs for multi-story development, and higher market risk for some component of a mixed-use development.

That being said, incentives are also utilized for undeveloped sites that do not necessarily have these extraordinary development costs. In these cases, the goal from the community's perspective is to expand the tax or economic base through a major new development like a shopping center or a distribution center. New development often requires costly new transportation and utility infrastructure investment as well as long term maintenance paid for by the municipality. Providing incentives on top of these additional costs represents a major investment of taxpayer dollars toward development that will require continuing support in terms of public services.

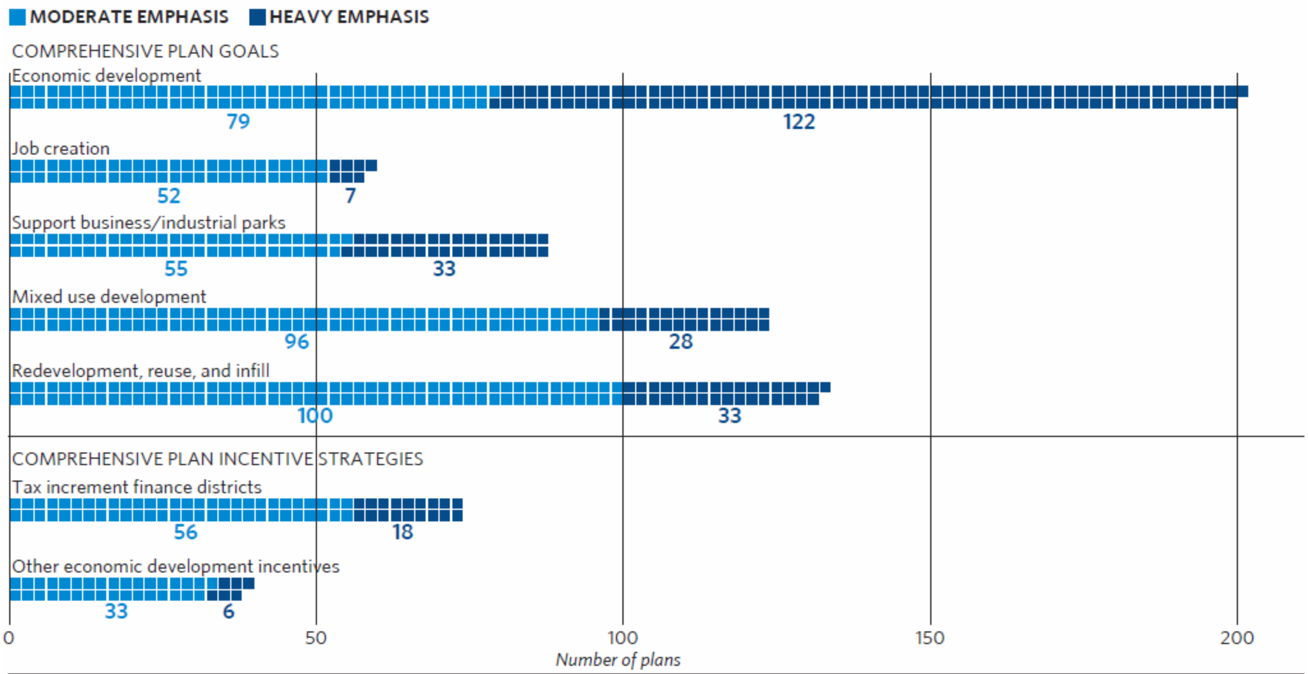
Relationship to community plans

Local comprehensive plans help provide a long range community vision and strategy and represent a major investment of time and energy. They generally outline land use, economic, transportation, infrastructure and other goals that relate directly to those outlined in many of the incentive agreements. CMAP recently analyzed the content of the comprehensive plans for 219 of the region's communities.[28] This analysis found that a significant majority of the region's

[28] The analysis was completed in 2009. The analysis set was comprised of all plans which were published 1990 or later and for which copies could be obtained. For additional information, see http://www.cmap.illinois.gov/moving-forward/human-capital-in-detail/-/asset_publisher/Q4En/blog/a-look-inside-metropolitan-chicago%E2%80%99s-existing-local-plans/276584?isMovingForward=1

comprehensive plans have a heavy or moderate focus on economic development and explore other topics related to specific land use goals. However, comparatively few discussed specific incentives to implement these goals.

Figure 12. Goals and incentives addressed in CMAP region comprehensive plans, 2009



Source: Chicago Metropolitan Agency for Planning analysis.

While the general goals of incentive agreements and comprehensive plans often coincide, it is unclear if incentives are being utilized to implement specific recommendations of a community's comprehensive plan or if their use is more reactive. Sales tax rebates and property tax abatements require no connection to a community plan or strategy, and incentive classes and TIF funds, while limited in the types of areas in which they can be provided, are similarly separate from the planning process. As described in the section on local incentive policies, communities in the region have approached guidelines for the provision of incentives in a variety of ways, some of which include a required connection to the community plan.

When municipalities make the decision to support a specific development or employer by providing an incentive, it is critical that this investment of public dollars supports community goals and community land use plans. Aligning incentives with community plans builds on the analysis and public input that went into the plan, and ensures that public dollars are being invested in outcomes and land use patterns that are desired over the long term.

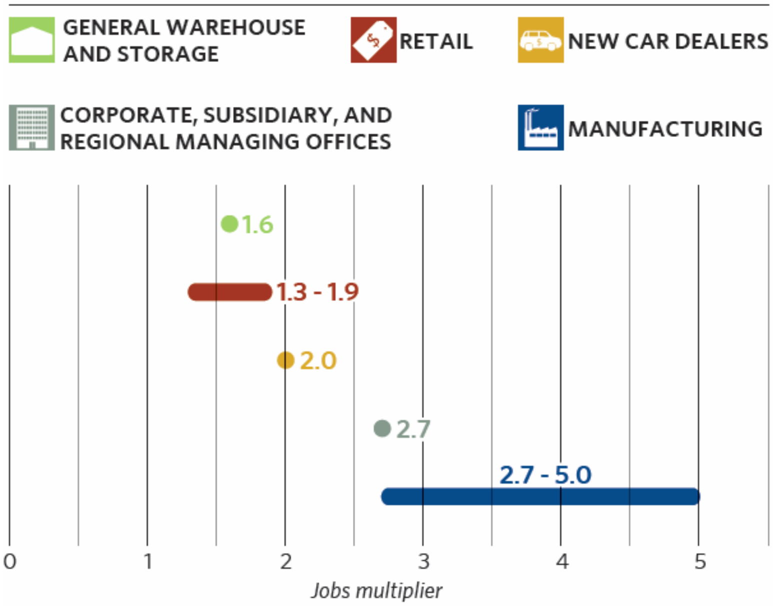
Regional economic impact of industries receiving local incentives

Local economic development incentives have been used to attract or retain a wide variety of businesses, including retail, auto dealerships, corporate office, manufacturing and warehousing industries. Incentives often represent considerable investments for local governments. From the local perspective, these deals can work to implement a wide variety of planning goals; however the economic benefit for the region at large is much less clear.

These incentives are offered to businesses with the expectation of growing the local tax base or providing job opportunities. The provision of these incentives is oftentimes driven by the structure of the overall state and local tax system, which rewards certain types of developments more than others. One of the central public policy issues under exploration by CMAP is the common disconnect between local fiscal benefit (as measured by the growth in one local tax base) and the regional economic benefit (as measured by output and wages.)

The case studies include a number of different types of firms, all of which have varying levels of regional impact. Employment multipliers are one tool to show the extent that an expansion of one industry supports additional economic activity within the region. For example, a job multiplier of 2.7 suggests that the increase of one job in a specific industry leads to an additional 1.7 jobs in the regional economy. CMAP used an input-output model developed by Economic Modeling Specialists Inc. (EMSI), which is specifically tailored to produce data on metropolitan Chicago. The following chart provides an overview of job multipliers for the region for various industries included in the case studies. These industries also provide varying levels of wages, which are illustrated on the subsequent chart.

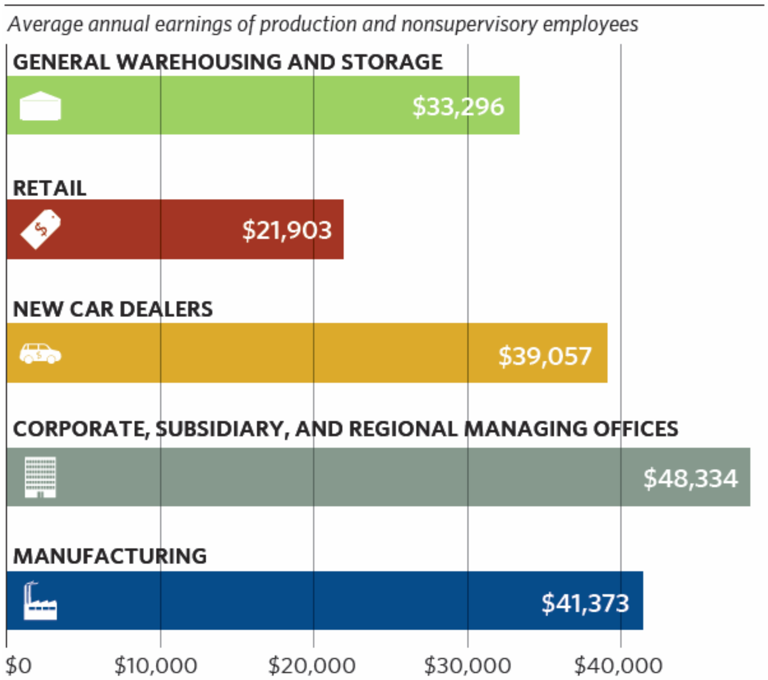
Figure 13. Jobs multiplier by selected industries, 2012



Note: retail and manufacturing ranges include several examples that appeared in the case study developments. Retail includes household appliance stores, electronics stores, supermarkets, department stores, and discount department stores. Manufacturing includes plastics material and resin manufacturing, automobile manufacturing, and motor vehicle supplier manufacturing.

Source: Chicago Metropolitan Agency for Planning analysis of Economic Modeling Specialists Inc. data.

Figure 14. U.S. average annual wages by industry, 2012

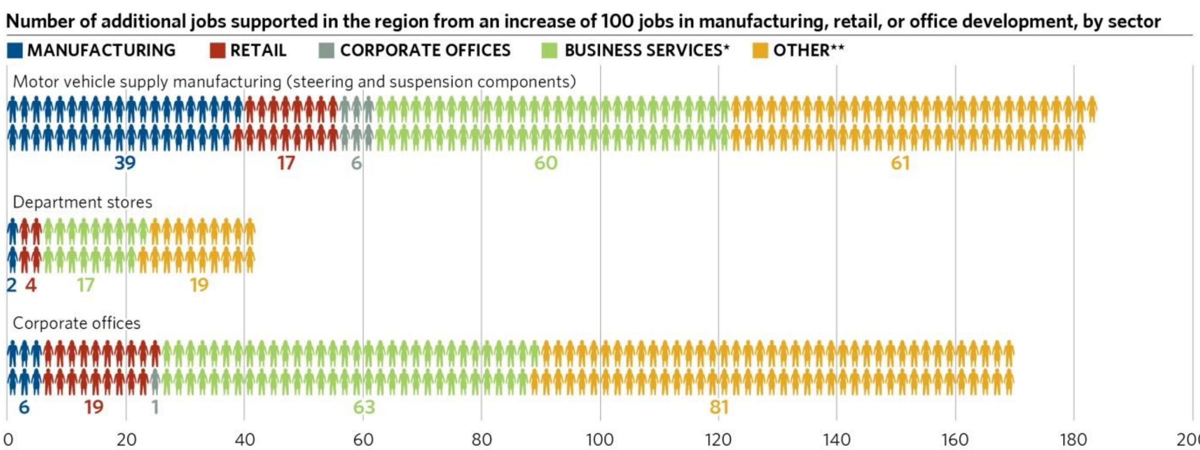


Source: Chicago Metropolitan Agency for Planning analysis of U.S. Bureau of Labor Statistics data.

At the low point, one retail job supports only an estimated additional 0.3-0.9 jobs. These jobs also provide very low wages. Similarly, warehousing jobs have lower multipliers and lower wages. On the other hand, manufacturing and corporate offices have much higher multipliers and higher wages. However, this trend was not exhibited for new car dealers, which had lower economic multipliers, but higher average wages.

Furthermore, additional jobs in industries with high multipliers, like manufacturing, tend to support jobs in industries with lower multipliers. However, the reverse is not true; industries with lower economic multipliers tend not to support jobs in industries with higher economic multipliers. The following chart provides three examples of the number of additional jobs that would be supported in the region if 100 jobs were added in a motor vehicle supplier manufacturing facility, a department store, and a corporate office. For example, an additional department store with 100 employees supports 42 jobs in other industries within the region, two of which are in manufacturing. At the same time, an additional motor vehicle supplier manufacturing facility with 100 employees supports an additional 183 jobs in other industries, including 39 in other manufacturing industries and 17 in retail. Corporate offices also support jobs in other industries. If an additional 100 corporate office jobs were created in the region, 170 other jobs would be supported, including 19 in retail.

Figure 15. Number of additional jobs supported in the region from an increase of 100 jobs in selected manufacturing, retail, or office development types, by sector, 2012



*Includes finance, insurance, wholesale trade, professional, scientific, and technical services, transportation and warehousing, real estate, rental, leasing, administrative, support, waste management, and remediation services.

**Includes utilities, information, government, mining, quarrying, oil and gas extraction, construction, health care, social assistance, private education services, arts, entertainment, recreation, other services, agriculture, forestry, fishing, hunting, accommodation, food service.

Source: Chicago Metropolitan Agency for Planning analysis of Economic Modeling Specialists Inc. data.

Based on the available data, it appears that many local governments are targeting incentives based upon local tax revenues rather than overall economic impact. For example, based on data from the set of 137 sales tax rebate agreements, it appears that on a per-case basis, local governments are spending or committing significant amounts of incentive dollars to firms that may generate sales tax revenues, but have low jobs multipliers and/or low wages. For example, sales tax rebates averaged by type of retailer for retail ranged from $2.5 million for home improvement stores to $3.8 million for discount stores.

While providing incentives to office or manufacturing developments may provide better economic benefits, they often do not provide the same level of tax revenue as a retail development, which provides sales tax revenue in addition to property tax revenue. However, the difference between economic and fiscal benefit is that the economic impact spills across municipal borders while the fiscal impact of a development is limited to the local government accruing the revenue. As a result, there is a disincentive to investing in developments that produce wider economic benefits, but that may not provide the same level of tax revenue as a sales-tax generating establishment.

Some developments may not produce high levels of tax revenue, but provide a substantial level of economic benefits to the region and can support economic development across sectors. For example, manufacturing in particular tends to support additional jobs within the industry as well as in other industries within its supply chains. Manufacturers are also an important source of innovation, in that they rely heavily on research and development. In fact, 85 percent of private research and development in northeastern Illinois comes from the region's manufacturing cluster.[29] Industries like manufacturing also leverage the geographic and infrastructure advantages of the region's extensive freight network, as well as its highly skilled workforce.

How local economic development incentives influence site selection

The purpose of most local economic development incentives is to influence business site selection, but these tools represent only one factor among many in these decisions. Locally-based incentives can serve to offset higher taxes or high costs for land and site improvements. They typically work to incentivize development in a particular location rather than counteract any larger-scale metropolitan market or labor force considerations. The case studies indicate that many of these deals involve "intraregional" (within northeastern Illinois) moves or the expansion of an existing business. Only rarely do these types of tools work to lure a firm from another state or other part of the country.[30] This is consistent with the findings of various academic studies showing that tax differences are more effective at influencing site selection within regions than across regions.[31]

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[29] CMAP, Manufacturing Cluster Drill-Down, 2013, http://www.cmap.illinois.gov/policy/drill-downs/manufacturing

[30] Given that northeastern Illinois shares state borders with Wisconsin and Indiana, there is some limited evidence from the case studies that these local tools have been used to attract or retain a business within Illinois.

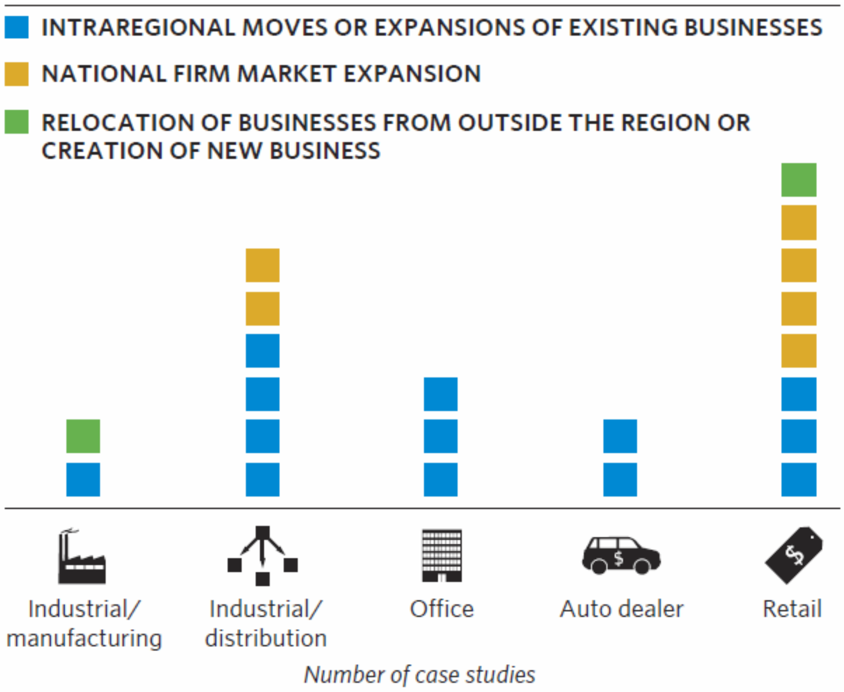
[31] See: Ernest Goss and Philip Peters, "The Effect of State and Local Taxes on Economic Development: A Meta-Analysis," *Southern Economic Journal* 62, no. 2 (1995): 320-333; Michael Wasylenko, "Taxation and Economic Development: The State of the Economic Literature," *New England Economic Review* (March/April 1997): 38-52; Robert Lynch, "Re-thinking Growth Strategies: How State and Local Taxes and Services Affect Economic Development," Economic Policy Institute, (2004).

Of the 40 case studies analyzed, 21 involved incentives provided to specific businesses, rather than to developers. The following chart provides an overview of the businesses receiving incentives, and whether the development was part of a national firm's market expansion or whether it was a firm moving or expanding within the region. 19 of the 21 businesses receiving incentives were either moving from another place in the metropolitan region or expanding their market. The following chart breaks down these case studies by development type and by the primary incentive received by the business.

Use of incentives for businesses located in northeastern Illinois
Abt Electronics moved to Glenview from Morton Grove in 2002. A sales tax rebate for the development was approved in 2000. In 2008, the Village extended the rebate agreement for an additional 15-year period because Abt was approaching its maximum rebate of $11 million under the 2000 agreement. Under the 2008 agreement, which will expire in 2023, the sales threshold was dropped to $75 million and the maximum was removed.

The stated reasons for extending the agreement included that Abt has been a significant employment and sales tax revenue generator. They have allowed the Village to lessen its dependence on a property tax levy. Also, according to the Village Board Report, Abt indicated several factors that may result in the store relocating to another community, such as the increase in the Cook County sales tax, nearby road work, and the economy.

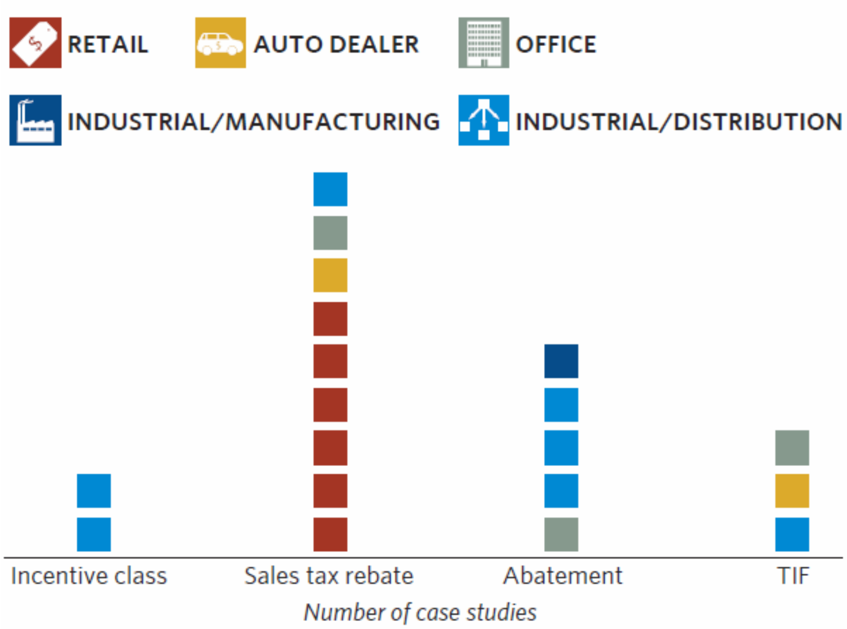
Figure 16. Incentives to businesses by type and nature of development



Source: Chicago Metropolitan Agency for Planning analysis of developments, appendix of Examination of Local Economic Development Incentives Report.

The next chart breaks down the 19 intraregional moves and market expansions by development type and the incentive used. More than half of the case studies illustrated in Figure 17 were retail developments or distribution centers.

Figure 17. Number of case studies using incentives for an intraregional move, for the expansion of an existing business, or for a national firm's market expansion, by primary incentive used and development type



Source: Chicago Metropolitan Agency for Planning analysis of developments, case studies in appendix of Examination of Local Economic Development Incentives Report.

Retail site selection

Incentives to a retail development in a regional or sub-regional market area that is already attractive for development help determine the precise location where the development will locate, but not whether the retail development will come to the region at all. For retailers, a preferred market area has a stable or growing population matching the retailer's target demographic groups, and there must be a market opportunity in the form of a lack of competition or a market niche that is not being fulfilled.[32] Additionally, a retailer will consider costs of expansion, such as developing new warehouse or distribution facilities to serve its new stores, creating a market presence through advertising, and similar hard and soft expansion costs. The retailer will also evaluate the presence and current success of similar retailers in the expansion area. These are larger, regional factors that individual communities cannot directly control.

[32] William M. Bowen, Kimberly Winson-Geideman, and Robert A. Simmons, "Financing Public Investment in Retail Development," in *Financing Economic Development in the 21st Century*, ed. Sammis B. White, Richard D. Bingham, and Edward W. Hill (Armonk, NY: M.E. Sharpe, Inc, 2003), 250-265.

As shown in Figure 18, selection of a retail site within a larger market area involves many factors. At base, these involve a combination of market requirements and initial development costs. Market requirements include: proximity to customers that meet a retailer's age, income, lifestage, and lifestyle requirements; spatial relationship to competing retailers and a brand's other stores; and, potentially, location in a retail cluster. There are also factors that affect the visibility of a site, such as traffic levels, access considerations, and visibility from the roadway or within a development. Lastly, the costs of each site will vary due to a number of factors, including lease or purchase costs; necessary site improvements such as site preparation, demolition, improvement of existing infrastructure and/or brownfield remediation; required improvements to adjacent public infrastructure such as roads or water mains; and, local costs such as property taxes or utility taxes. A retailer will seek to locate at a site that meets its demographic, traffic, and access requirements and provides the best cost value.

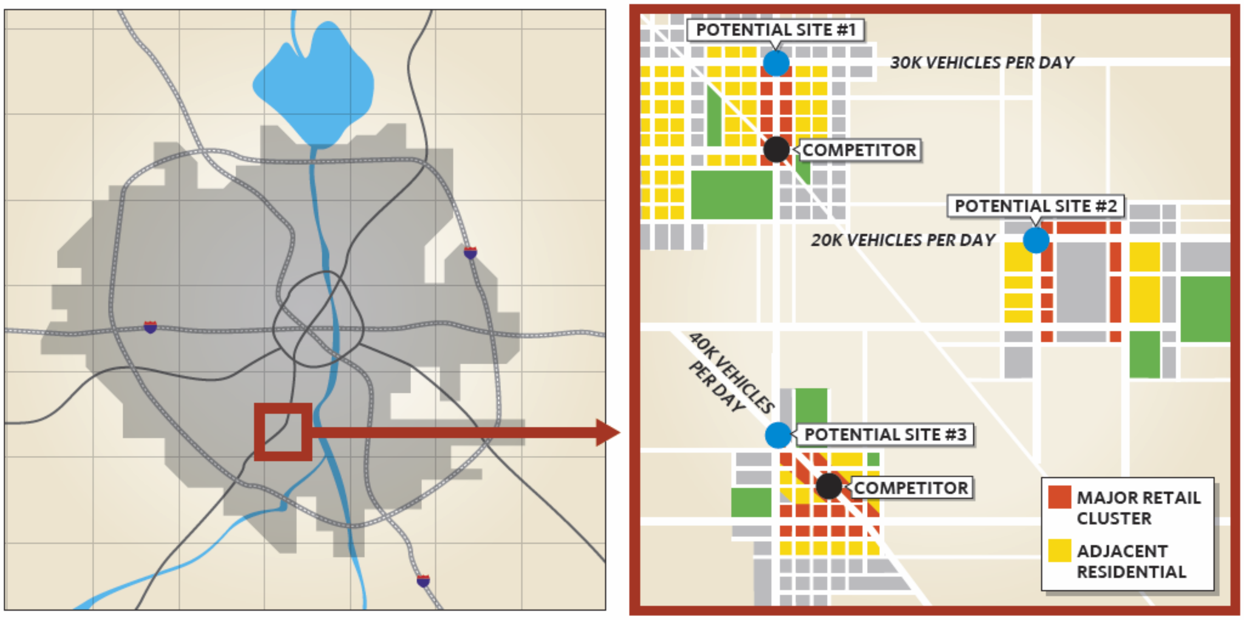
How do retailers plan expansions?
Mariano's, a supermarket brand under Roundy's, has recently constructed a number of new grocery stores within the Chicago region. They plan to continue their expansion due to the opportunities they see in the greater Chicago area market. According to the company's recent filing with the federal Securities Exchange Commission:

> *We entered the Chicago market in July 2010 through the opening of our first Mariano's Fresh Market store in Arlington Heights, Illinois. As of November 1, 2011, we have opened four stores in the Chicago market, which, since opening, have generated higher average weekly net sales per store compared to stores in our other markets. Given its favorable competitive dynamics and attractive demographics, including a large population and average household income that exceeds the national average, we believe the Chicago market provides us with a compelling expansion opportunity. We expect to open four to five stores per year in the Chicago market over the next five years, and have secured six leases for future stores in attractive locations as of November 1, 2011.*

Roundy's Corporation, "Form S-1: Registration Statement under The Securities Act Of 1933," December 5, 2011, http://www.sec.gov/Archives/edgar/data/1536035/000104746911009884/a2206531zs-1.htm

Development incentives have an impact on the retail site location process by reducing the cost of initial site improvements and/or local taxes over the long term. This does not create a better market for a retailer, but instead makes an individual site more attractive by reducing standard costs or by paying for extraordinary costs that market-rate development does not normally take on, like brownfield remediation. Thus, incentives may affect retail development at a particular site, but would not necessarily result in additional retailers in a particular market area.

Figure 18. Retailer regional market and site selection considerations



RETAIL MARKET AREA BASED ON:
- Company strategy
- Demographics
- Competition
- Market opportunity
- Existing distribution network

SITE SELECTION BASED ON:
- Demographics within site market area
- Location of competition, retail clusters, existing stores
- Traffic, Access & Visibility
- Costs:
  Impacted by incentives
  - Required Infrastructure improvements
  - Lease/purchase price
  - Taxes
  - Pre-development timeline

Source: Chicago Metropolitan Agency for Planning analysis.

Industrial, warehousing, and office site selection

For industrial and office development, site selection is based on a complex set of factors involving transportation infrastructure, workforce considerations, and access to customers or suppliers. An area of the metropolitan region would have to satisfy the firm's criteria on these factors if the region were to be considered at all. If the region is being considered for an industrial or office facility, local incentives could play a role in the specific location within the region that is chosen.

Site selection for manufacturing facilities involves factors such as the labor market, the skill level of the workforce, labor costs, transportation costs, utility costs, and the proximity of suppliers and consumers. Because most of the costs involved in a manufacturing facility are for supplier inputs and labor, taxes and incentives account for a very small portion of the overall cost of facility operations.[33] Thus, incentives may not be a deciding factor until a particular region is identified for a location. After a region is selected, more significant costs such as labor and transportation costs are going to vary less across sites, resulting in local taxes and incentives becoming the variable cost. Similar factors exist for warehousing facilities, although a site's location within the firm's logistics network is an important factor.

Locating logistics and warehouse facilities

Clarius Park Joliet, a speculative logistics facility being constructed near I-80, I-55 and intermodal facilities, is capitalizing on the Chicago region's assets with regard to transportation access. Developer Kevin D. Matzke said of the project location:

> *On a national level, Chicago factors into almost every large industrial user's logistics model due to its large population, geographic centrality and the fact that all Class 1 rail lines converge in Chicago. On a regional level, Joliet makes perfect sense, since it is located less than 50 miles from downtown Chicago, it is the crossing point between Interstates 55 and 80, and it is located very close to both the BNSF and UP intermodal facilities.*

Joliet is one of several communities in the immediate area of the I-55/I-80 interchange that are experiencing substantial new industrial development. This area has added 26 million square feet of industrial development since 2000, with 21 million more square feet currently proposed.

National Real Estate Investor, "Construction of $70M Clarius Park Joliet Underway, First Building Delivery Slated for 1Q 2013," August 12. 2012, http://nreionline.com/midwest/construction-70m-clarius-park-joliet-underway-first-building-delivery-slated-1q-2013; CMAP analysis of CoStar data

Location for corporate offices also depends on factors such as the labor market, skill level of workforce, labor costs, access to transportation, the public services available for employees and their families, and quality of life considerations. These factors are considered typically under a multi-stage process, where geographic areas are selected first, followed by identification of various sites within the selected geographic areas.[34] If a firm was to consider northeastern Illinois for a corporate office, identified sites within northeastern Illinois and other regions under consideration would be evaluated on a number of factors, including qualify of life factors, taxes, issues related to the site, and any incentives offered.

Alignment between local government and business goals

Local economic development efforts can help improve the tax base and the quality of life for residents. The economic development incentive tools researched for this report come into play when local governments believe that a business or developer requires a financial incentive to

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[33] Daphne A. Kenyon, Adam H. Langley, and Bethany P. Paquin. Rethinking Property Tax Incentives for Business (Cambridge, Mass: Lincoln Institute of Land Policy, 2012), http://www.lincolninst.edu/pubs/2024_Rethinking-Property-Tax-Incentives-for-Business

[34] Joseph S. Rabianski, James R. DeLisle and Neil G. Carn, "Corporate Real Estate Site Selection: A Community-Specific Information Framework," Journal of Real Estate Research 22, no. 1/2 (2001): 165-197.

locate in the community. At the same time, businesses and developers desire these financial incentives from local governments. Businesses exist to maximize profits, and receiving an outlay of public funding reduces the cost of development for the business.

Businesses are typically in an advantageous position to negotiate incentives with local governments. They may have several sites to choose from, and may obtain incentive offers from multiple communities in the region. This puts communities in the difficult position of competing against each other for economic development opportunities, many of which are from businesses or developers that intend to select a site in northeastern Illinois and are simply choosing from several specific sites in the region. Only the business knows the level of public funding that is required for them to develop a particular site and whether an incentive is required for the development at all. Some communities require proof that there is a financial gap that must be met for a development to receive incentives, although in some cases that proof is only provided by the developer being evaluated. As a result, many communities provide incentives without knowing whether the development would have occurred regardless of the incentive or what kinds of incentives were offered by other communities.

Undoubtedly, northeastern Illinois has real redevelopment needs. Many areas of the region have vast amounts of available infill land, and these areas may also be experiencing a depressed economic base or a low tax base. These areas would benefit from additional economic development efforts, some of which may be in the form of incentives. At the same time, this report has shown that many of these incentive deals involve new greenfield developments which typically do not have extraordinary development costs. Some communities are spending public funding and other resources competing over these developments. From a regional perspective, these kinds of deals are problematic because the business likely would have located in the region regardless of these efforts.

Unfortunately, local governments are in a difficult position. If they do not offer economic development incentives, some businesses may decide to locate in a neighboring community that does provide an incentive. There are benefits associated with being selected for a development, such as an increased property tax base, and depending on the type of development, increased sales tax revenue, additional retail options in underserved areas, or closer employment opportunities for residents. While the community must also bear costs associated with the development, such as public service and infrastructure costs, neighboring communities may also have to incur some of these additional costs, but without receiving additional tax revenue that may be generated in part by their own residents.

Local governments operate largely under state law, which provides local governments the ability to use tax revenue to incentivize development projects. A policy environment where any community has the ability to provide incentives to businesses encourages competition among communities rather than cooperation. If even one community offers an economic development incentive, it would be at an advantage relative to a similar community not offering one.

Fostering an environment where local resources are targeted toward collaborative efforts would require reforms to the statutes that encourage incentive competition.

Conclusion: Supporting GO TO 2040

Local economic development incentives play a major role within the overall economic development landscape of northeastern Illinois. These incentives have been used to attract or retain a wide variety of commercial, industrial, and residential uses including retail, auto dealerships, corporate offices, manufacturing, warehousing, mixed-use, and affordable housing developments.

CMAP analyzes local incentives from the perspective of GO TO 2040, the region's comprehensive plan that links transportation, land use, the natural environment, economic prosperity, housing, and human and community development. The plan encourages strategies that support investment in existing communities, maintain the region's existing infrastructure, and encourage sustainable economic growth and efficient governance.

Communities often utilize local incentives for goals that align with GO TO 2040, such as redeveloping an underutilized site, developing affordable housing, or meeting other key reinvestment goals. Specifically, redevelopment can require the consolidation of many small parcels under separate ownership, remediation of environmental contamination, rehabilitation of existing structures, or an upgrade of public infrastructure. In these cases, incentives can bridge the gap between market prices and high redevelopment costs, meeting both public goals and private investment needs.

On the other hand, communities often use local incentives to compete over new developments on undeveloped land that typically do not have extraordinary development costs. While GO TO 2040 acknowledges that some greenfield development will occur, the plan does not prioritize the associated expenditure of limited public resources toward these ends.

GO TO 2040 also emphasizes efficient governance and access to information. Unfortunately, limited data availability often makes it difficult to determine exactly how many local governments are utilizing incentive tools. Like disclosing any other budgetary or financial reporting of local government expenditures of tax revenues, it is important for state and local governments to provide taxpayers with a full accounting of the incentives used for economic development projects.

Local communities often provide incentives without knowledge of whether the development would have occurred anyway. Businesses are typically in an advantageous position to negotiate incentives with local governments— they may have several sites to choose from and may receive incentive offers from multiple communities in the region. This situation puts communities in the difficult position of competing against each other for economic development opportunities, many of which involve businesses or developers that intend to select a site in northeastern Illinois and are choosing from several specific sites in the region.

GO TO 2040 strongly supports coordination between communities. Intergovernmental approaches are often the best way to solve planning problems in economic development. Employing incentives to compete with other communities over development often runs contrary to this strategy. Collaborative efforts can help communities to gain efficiencies, share information, and strategically invest scarce public funds. Moving forward, fostering a collaborative environment to facilitate economic development would better utilize public resources and would benefit the region as a whole.

Appendix: Case study summaries

Case studies are organized according to incentive type and location. When more than one incentive type was utilized, the case study is classified by the incentive type that provided the most funding.

Sales tax rebates

Cook County

Abt Electronics, Village of Glenview

Figure 19. Abt Electronics

Source: flickr user Zol87

Abt Electronics moved to Glenview from Morton Grove in 2002. A sales tax rebate for the development was approved in 2000. According to a Village Board Report, the original agreement allowed for a 50-percent sales tax rebate for 15 years up to a maximum of $11 million, after a sales threshold of $100 million in sales. In 2008, the Village extended the rebate agreement for an additional 15-year period because Abt was approaching its maximum rebate under the 2000 agreement. Under the 2008 agreement, which will expire in 2023, the sales threshold was dropped to $75 million and the maximum was removed.

Also under the agreement, the Village is guaranteed a taxable sales base of $275 million in years 1 through 5 and $250 million in years 6-15. In addition, Abt must maintain at least 900 employees at the facilities in years one through five, 750 in years six through 10 and 600 in years 10 through 15. If these provision is not met, Abt will have to pay back all of the rebates received during the previous five years.

The reason for extending the agreement was multi-fold. Abt has been a significant employment and sales tax revenue generator. They have allowed the Village to lessen its dependence on a property tax levy. Also, according to the Village Board Report, Abt indicated several factors that may result in the store relocating to another community, such as the increase in the Cook County sales tax, nearby road work, and the economy.

Abt Electronics currently employs 1,100 and at least $15 million has been paid under this agreement to date.

Source: Village of Glenview, Village Board Report on Consideration of a Resolution authorizing an addendum to the economic development agreement between the Village of Glenview and Abt Electronics, September 2, 2008; various Village of Glenview Comprehensive Annual Financial Reports, 2006 through 2011

Matteson Auto Mall, Village of Matteson

In 1997, the Village of Matteson entered into an agreement with Miller Consolidated to develop an auto mall on an undeveloped site. The agreement followed the loss of an Oldsmobile dealership, although it is unclear where that dealership was located.

Matteson Auto Mall was completed in 2001 on a 102-acre, 25-parcel piece of undeveloped land purchased from Marathon Oil. The mall was built at a cost of $36.9 million. Miller sold half of the parcels to auto dealerships and leased three parcels for other uses. Ten auto dealerships were constructed and operating in the mall at its peak. In the middle of the mall, there is a conservation area with nature trails and wet lands. The Village provided significant site improvements, including sewer, water main, street lights, streets, sidewalks, landscaping, detention, and wetland creation for the mall.

Initially, three dealerships from other areas in southland relocated to the mall, generating complaints that the large incentives provided by taxpayers pitted communities against each other. Today, seven dealerships are currently still in operation, with three vacant dealerships. In addition, several other parcels are currently vacant.

Sales tax rebates ranging from 50 percent to 60 percent for 20 years were provided to all dealerships, with a clause that each dealership had to sell a minimum number of cars to receive the rebate. Matteson also issued $3.5 million in bonds to pay for public improvements. In addition, several taxing bodies provided a 50 percent property tax abatement for 10 years, up to a maximum of $4 million as limited by statute, to several of the dealerships. Rich Township High School District 227 provided the property tax abatement to the initial dealerships. Elementary School District 159 provided abatements to dealerships constructed during both phases of the project. Two dealerships that did not receive an abatement received a property tax incentive Class 8.

In 2009, a TIF district was established for just the vacant parcels in the mall to encourage development on the vacant parcels, although there has not yet been any funding provided from development projects through the TIF district.

Source: Email communication with the Village of Matteson, February 20, 2013; Charles Stanley, "Matteson Gives Green Light to Huge Car-lot Complex," *Chicago Tribune*, June 18, 1997; Marilyn Thomas, "Suburbs Cry In Pain Over Tax-revenue Drain that's Matteson's Gain," *Chicago Tribune*, November 19, 1998

DuPage County

Caputo's, Village of Addison

Caputo's Market moved from another shopping center in Addison to this location in the Lake Mill Plaza Shopping Center. They rehabbed the new location, which is about twice the size of their original location. The rehab was completed in 2007 at a cost of $5 million. Caputo's also later resurfaced the shopping center parking lot and renovated the façade of the whole shopping center.

The incentive was provided because Caputo's had been renting in another shopping center, and wanted to move to a larger facility, which this move allowed them to do. In addition, an incentive was provided for improvements to the shopping center. Caputo's received 50 percent of sales tax revenue generated over the amount generated in 2002 for five years or until $200,000 is met. This agreement existed from 2004 to 2008, and a second agreement was made covering 2009 through 2013, with the same structure, and with a maximum of $600,000. The rebate would only be provided if the entire shopping center was rented out, the façade renovated, and the parking lot resurfaced by 2007. These conditions were met in 2006.

Source: Email communication with the Village of Addison, February 1, 2013; Village of Addison Budget and Financial Plan, May 1, 2009 – April 30, 2010.

Lowe's, Village of Carol Stream

In 2003, the Village approved a sales tax rebate agreement with Lowe's for a 163,000 square foot store to be built on undeveloped land. The site required $2 million in preparation, including stormwater detention, wetlands mitigation, and landscaping to shield the property from a residential area nearby. Under the agreement, 70 percent of sales tax revenue goes to Lowe's for 15 years, after the first $100,000, which goes to the Village, with a $700,000 maximum. To date, $560,709 has been paid to Lowe's.

Source: Village of Carol Stream Comprehensive Annual Financial Report for the Fiscal Year Ended April 30, 2012; Annemarie Mannion, "Carol Stream OKs Lowe's store tax breaks," *Chicago Tribune*, July 23, 2003

Lee Lumber, City of Oakbrook Terrace

Lee Lumber is a building materials and lumber business that operates several showrooms in northeast Illinois and northwest Indiana. In 2003, Lee Lumber opened a window, door, and cabinet showroom and credit department in a shopping center. As a result, all sales involving a credit application were sourced to Oakbrook Terrace.

The 2003 agreement provided a sales tax rebate of 70 percent for 10 years with an automatic renewal of an additional 10 years unless either Lee Lumber or the City provides notice not to renew. The agreement assumes that Lee Lumber's business has closed if taxable credit sales sourced in the City fall below $5 million a year. In addition, if Lee Lumber relocates outside of the City during the initial 10-year period, then they must repay Oakbrook Terrace a portion of the rebate. According to the agreement, the City provided incentives because the company stated it would otherwise not locate its "single order-acceptance point" and corporate headquarters in the City. In 2011, the showroom closed and in 2012, the credit department moved to the Chicago corporate office. Plato's Closet is now operating in the space.

Source: City of Oakbrook Terrace Ordinance No 02 – 45, An ordinance approving an economic incentive agreement with Lee Lumber and Building Materials Corp; Economic Incentive Agreement between the City of Oakbrook Terrace and Lee Lumber and Building Materials, Corp, December 19, 2002; City of Oakbrook Terrace Annual Operating Budget Fiscal Year 2012-2013; City of Oakbrook Terrace, Minutes of the Regular City Council and Committee of the Whole meeting, June 26, 2012.

Kane County

Gander Mountain, City of Geneva

This area had been annexed by the City of Geneva in 1993. In 2003, Gander Mountain redeveloped a vacant Big Kmart, which closed in 2002 along with 284 other Kmart stores. This was the company's third store in Illinois, with the others in Peoria and Rockford. It is unclear when Big Kmart was built, but the adjacent shopping center was built in 1997.

The incentive agreement was signed in 2003. In years 1 and 2, Gander Mountain received no rebate. In years 3 through 7, if annual gross sales were less than or equal to $23,750,000, Gander Mountain received a 25-percent sales tax rebate. If annual sales exceeded that amount, Gander Mountain received a 50-percent rebate. In exchange, Gander Mountain was required to make façade improvements and site improvements. During the term of the incentive agreement, rebates totaled $145,000. In addition, Kane County planned to make improvements to Randall Road totaling $482,000 using sales tax revenue collections. According to the agreement, the City provided the incentives because the development will meet service needs of residents, increase economic opportunities and conditions, increase employment opportunities, and enhance the tax base.

Source: Development Economic Incentive and Reimbursement Agreement City Of Geneva & Gander Mountain Company, March 17, 2003; Telephone communication with the City of Geneva, February 5, 2013; Barbara Kois, "Outdoors retailer to open store," Chicago Tribune, November 14, 2002

Geneva Commons, City of Geneva

Figure 20. Geneva Commons

Source: Jaffe Company

The Geneva Commons Lifestyle Shopping Center opened in 2003 with 610,979 square feet of retail space. Geneva annexed this property in 1996. Anchor tenants include Dick's Sporting Goods and Barnes & Noble. Currently, 68 out of 82 spaces are occupied.

The agreement was made in 2002 for a sales tax rebate of 25 percent to the developer for 7 and one half years from the date the first store opens or up to $1,677,482. The rebate is meant to reimburse for various roadway improvements and landscaping. As stated in the agreement, the development would not be economically viable without the incentive, and the development will service the needs of residents, increase economic opportunities, enhance commercial economic conditions, stimulate commercial growth, and enhance the tax base of Geneva.

Source: Restated Development Economic Incentive and Reimbursement Agreement City of Geneva and Geneva Retail Company, LLC., April 10, 2002; Summary of Geneva Sales Tax Rebates; Geneva Commons website, http://www.shopgenevacommons.com, accessed May 1, 2013

Kendall County

Oswego Commons, Village of Oswego

Figure 21. Oswego Commons

Source: Ryan Company

This shopping center was constructed in 2001 on an undeveloped parcel, and houses a Home Depot, Target, Dominick's, Kohl's, and several restaurants. It is 500,000 square feet with 1,375 parking spaces. The Kohl's was constructed in 2006.

A sales tax rebate agreement was made in 2002, providing a 70-percent sales tax rebate in the first two years, 75 percent in years 3 and 4, 50 percent in years 5 through 7, and a 25-percent rebate in years 8 through 10. There is no maximum. CMAP estimates that rebates may have reached $3.4 million. Kohl's received a separate rebate of 50 percent of sales tax revenues for 10 years, up to $1 million. The Village's budget stated that incentives were provided to pay for infrastructure improvements and "to ensure the Village would secure bringing these large retail facilities to Oswego." Infrastructure improvements included widening of U.S. 34 as well as public utility upgrades.

Source: Village of Oswego Fiscal Year 2008/2009 Budget; Village of Oswego, Illinois Comprehensive Annual Financial Report for the Year Ended April 30, 2007; Village of Oswego, Illinois Comprehensive Annual Financial Report for the Year Ended April 30, 2009

Lake County

Peapod, Village of Lake Zurich

Peapod is an Internet grocery that started in 1989 in Skokie. It has since expanded nationally. In 2001, Peapod completed a new 93,750 square foot distribution center in Lake Zurich, which functions as the point of sale for all Peapod deliveries originating from it. The building was constructed in a new industrial park that was being built on undeveloped land that had been newly annexed by Lake Zurich.

The incentive agreement was signed in 1999. Peapod receives 50 percent of sales tax revenue generated over a sales threshold for 30 years. The sales threshold was $6 million in 2000, and grows annually with CPI for all urban consumers for the Chicago area. The reasons for providing the rebate stated in the ordinance include that the property has been vacant (undeveloped), the project will create employment opportunities, the project will enhance the Village's revenues and tax base, and that the project would not be possible without the incentive. Between 2005 and 2012, $2.4 million was paid to Peapod (data for 1999 through 2004 was unavailable).

Source: Village of Lake Zurich Resolution No. 99-03-01A, A Resolution Approving and Authorizing Execution of an Economic Incentive Agreement with Beacon Home Direct, Inc, March 1, 1999

CDW Computer Centers, Village of Mettawa and Village of Vernon Hills

CDW Computer Centers is a computer and technology sales company headquartered in Vernon Hills. The retail showroom is also located in Vernon Hills, although most sales are through telephone and online orders. CDW's Mettawa office opened in 2002. The Mettawa office had approximately $100 million in sales in fiscal year 2011.

Mettawa is a small village, with 547 residents. It has few commercial businesses, but is home to the Lake Forest Oasis on the I-94 Tollway. After coming to an intergovernmental agreement with the City of Lake Forest regarding annexing the Oasis property owned by the Illinois State Toll Highway Authority (Tollway), Mettawa shares 50 percent of the sales tax revenue generated by the Oasis with Lake Forest. Together, the Oasis and CDW represent 70 percent of the total sales tax revenues in the Village.

Under the sales tax rebate agreement, CDW gets 50 percent of the sales tax revenues generated at the Mettawa office until 2098. It is unclear when the initial agreement was signed, but it was amended in 2002, and then amended again in 2004. It is unclear why Mettawa offered a sales tax rebate. Vernon Hills, who also provided a sales tax rebate, indicated at the time that they were concerned that CDW may move or expand in another municipality because other municipalities provide incentives such as TIFs and sales tax rebates.

When CDW moved its corporate headquarters to Vernon Hills in 1997, it received a sales tax rebate. It opened an additional facility in Vernon Hills in 2000. In the amended version of the rebate agreement, CDW receives 50 percent of sales tax revenue until July 31, 2019, assuming Vernon Hills collects at least $2 million. If sales taxes fall below $2 million, but are above $650,000, the rebate is 35 percent, for sales tax receipts between $500,000 and $650,000, the rebate is 20 percent, and below $500,000, there is no rebate.

Source: Village of Mettawa Annual Financial Report Year Ended April 30, 2010; Village of Mettawa Annual Financial Report Year Ended April 30, 2011; Village of Vernon Hills, Minutes of the Committee of the Whole, September 7, 1999, http://www.vernonhills.org/village/minutes/1999/0907COW.htm

Will County

Romeoville Crossings, Village of Romeoville

The shopping center was constructed in 2007 on an undeveloped parcel at a cost of approximately $35 million. The shopping center houses a Wal-Mart, Firestone Tire, and an Autozone. A Sam's Club is expected to open in fall 2013. Most of the smaller parcels in the shopping center are currently vacant. The Wal-Mart is expected to have annual gross sales of more than $60 million.

The incentive agreement began in 2008 when Wal-Mart opened. The developer receives 50 percent of sales tax revenues up to a maximum of $5.1 million. The maximum is increased by $100,000 if two sit-down restaurants (one of which can be substituted for two fast casual restaurants) apply for building permits. There are no sit-down restaurants in the shopping center currently. Initially, the rebate was to last for seven years, but the time limit was later removed because revenues in the early years had been impacted by the economic downturn.

The developer was required to reserve three locations in the shopping center for sit-down restaurants for three years. There can be no more than two banks or financial institutions and no arcades, no laundromats, pawnshops, currency exchanges, tattoo parlors, tobacco stores, or dollar stores in the shopping center. Also, the developer was required to make off-site road improvements, as well as other infrastructure and façade improvements.

According to the agreement, the Village provided incentives because the developer stated that the development would not have otherwise occurred, the Village's population has increased but there is not a large presence of "nationally-recognized retail stores" to serve them, and new retail development needs to generate substantial sales tax revenues for the Village so a property tax increase is not required.

Source: Village of Romeoville Request for Village Board Action, An Ordinance Authorizing the Executive of an Economic Incentive Agreement, August 10, 2007; Economic Incentive Agreement between the Village of Romeoville and Air-Web LLC.

Brookside Marketplace, Village of Tinley Park

Figure 22. Brookside Marketplace

Source: Village of Tinley Park

The shopping center opened in 2008 on an undeveloped parcel near I-80. The 455,853 square foot, 2,500 parking space development cost $74 million. Tenants include retail and restaurants such as SuperTarget, Michael's, Best Buy, Ross, and Kohl's.

The Village of Tinley Park provided a sales tax rebate of 50 percent of revenues after a $75,000 threshold for 10 years or until $5 million is rebated. In addition, the Village reimbursed the developer for infrastructure costs totaling $4.0 million. This included costs of roadways, bridges, traffic signals, landscaping, lighting, and utilities. Tinley Park's incentive policy lists reasons that a potential incentive would be considered. The list includes several criteria that could be met by this project, including the creation of at least 25 full-time jobs paying more than the area's average wage with full benefits and retail sales of at least $5 million.

Source: Village of Tinley Park, Economic Development and Incentive Policies, October 18, 2011; Tinley Park Comprehensive Annual Financial Report Fiscal Year Ended April 30, 2011; Email communication with the Village of Tinley Park, February 11, 2013

Tax Increment Financing

Cook County

Broadview Village Square, Village of Broadview

The 63-acre parcel previously served as a parts distribution warehouse for the Illinois-based Komatsu Dresser Company, but the warehouse had been vacant since 1992 when the operation was moved to Tennessee. The 22nd & 17th Avenue TIF district was established in 1993 to attract developers to the site, which is adjacent to the North Riverside border. Broadview Village Square opened in 1994 at a cost of $65 million. Anchors include a SuperTarget and a Home Depot. A $23 million bond was issued to pay for site preparation including demolition and remediation.

Source: Robert Lundin, "Broadview's Retail Plaza a Hard Sell," *Chicago Tribune*, December 5, 1994; "Komatsu to close Broadview plant," *Chicago Sun-Times*, October 7, 1991; Village of Broadview Financial Statements As of and for the Year Ended April 30, 2012

Stateline Industrial Area, Calumet City

In 1988, Calumet City started a planning and implementation process to address the growing number of vacant, former industrial and commercial properties on State Street and State Line Avenue at the City's eastern boundary. The community is built out completely, so the goal of redevelopment was to increase the tax base, bring new jobs, and attract retail to the community.

This area is located in a TIF district (designated in 1994) and an Enterprise Zone. The redevelopment area is primarily used for warehousing and distribution activities, but also has some retail. Development primarily occurred between 1998 and 2008. Property tax revenues doubled from $362,000 to $777,000, despite the lower assessment levels as a result of the incentive classes.

Various developments received $4,050,000 in TIF funding as well as property tax incentive classes 6 and 8. In addition, a U.S. EPA grant totaling $200,000 and an Illinois EPA grant of $88,305 was awarded. Additionally, land acquisition in 1994 was funded through TIF-backed bonds totaling $13 million. Nearly all of the parcels originally purchased by the City have been redeveloped. The reason for providing the incentives was that the area required site remediation and preparation, including removing 30 underground storage tanks and clean up of environmental contamination.

Source: S.B. Friedman and Company, "Fiscal Analysis of Brownfield Redevelopment," March 10, 2009, http://www.cmap.illinois.gov/documents/20583/9080cfc5-7482-46a6-b0cd-cb42aea24781

United Airlines, City of Chicago

United was headquartered in Elk Grove Village. As part of an effort to consolidate real estate assets, the company considered moving to San Francisco, Denver, or Chicago. An agreement was made in 2007 for the company to move its corporate headquarters to 77 West Wacker Drive in Chicago. The agreement included $5,475,000 TIF funding for redeveloping the office space as well as a maximum of $10 million in fuel tax rebates. United also received a $1 million grant from the Illinois Department of Commerce and Economic Opportunity. The agreement required United to stay for ten years, relocate 365 FTEs to this location, retain at least 325 FTEs during the ten-year period, and occupy at least 137,000 square feet for 15 years. Project costs totaled $23.0 million. United received the funds from the TIF but only received 2 percent of the fuel tax rebates because they stopped sourcing fuel to that location.

Later, United decided to relocate its operational headquarters, and considered several locations, including two in the City of Chicago and two in suburban locations in the region. The company ultimately went with Willis Tower, after receiving an offer of TIF funding. In addition, United moved its corporate headquarters to Willis Tower from the 77 West Wacker Drive site. The agreement provides United with $25,889,768, which includes $24,389,768 in TIF funds and $1.5 million in TIF funding for job training. The first payment to United would be for $2,400 per FTE relocated to Willis, up to $3 million, but the company would only receive the funds if at least 1,000 employees were located. The second payment will be up to $6 million, with the first payment deducted. For the following eight years, United will receive 1/8th of the remaining TIF amount including interest, annually. United also received a $10 million grant, payable over five years. United will have to relocate a minimum of 2,500 FTE positions to Willis Tower, and retain this number of positions for ten years, and occupy at least 400,000 square feet. Redevelopment costs for the company will range from $64.0 million to $71.8 million, depending on the amount of office space redeveloped. United is currently leasing 830,000 square feet in Willis Tower.

Even though the City of Chicago stated that the agreement from 77 West Wacker Drive could have been shifted to Willis Tower, United returned the TIF funds to the City following the move out of the 77 West Wacker Drive location. It is unclear why United returned this incentive, because they have 4,000 employees in Willis Tower, which is more than the job requirements of the two agreements combined.

Source: Community Development Commission of the City of Chicago Resolution No. 06- CDC- 73, Authority To Negotiate A Redevelopment Agreement With United Air Lines, Inc. within the Central Loop Tax Increment Financing Redevelopment Project Area, and to Recommend To the City Council of the City of Chicago the Designation of United Air Lines, Inc. as the Developer, September 12, 2006; United Air Lines Redevelopment Agreement By and Between The City of Chicago And UAL Corporation and United Air Lines, Inc., October 31, 2007; Staff Report to the Community Development Commission Requesting Developer Designation September 8, 2009; United Air Lines Redevelopment Agreement by and between The City of Chicago and UAL Corporation and United Air Lines, Inc., November 19, 2009; Gregory Karp, "United returns TIF funds to city," *Chicago Tribune*, November 12, 2012.

Chicago Manufacturing Campus, Hegewisch, City of Chicago

The 3.5 million square foot Ford assembly plant has been operating at 26th and Torrence Ave since 1925. A TIF district was established in 1994 to support infrastructure work and environmental remediation for potential industrial development projects. In 2001, an agreement was made between Ford and CenterPoint Properties Trust to develop an adjacent property for suppliers to the plant. According to materials provided by the City, Ford was also considering a supplier campus for Atlanta, from which they also solicited an incentive package.

The Chicago Manufacturing Campus opened one half-mile from the plant on a 155-acre site in 2004 with twelve suppliers. Having suppliers nearby was expected to enhance efficiencies and reduce transportation costs for Ford and its suppliers. The campus and related infrastructure cost $288 million. The campus, which was formerly a steel mill, includes four multi-tenant buildings with 1.7 million square feet. The suppliers intended to employ 1,400 people. At the time of the agreement, Ford had been employing 2,200, and following the opening of the campus, added an additional 400 employees.

A redevelopment agreement in 2003 provided TIF funding totaling $17,183,334, while a grant from the City of Chicago provided $4.8 million. These funds were used to pay for the land remediation and site preparation costs involved in preparing the campus. In addition, a separate infrastructure agreement was made in 2003 for off-site infrastructure improvements to benefit the plant and the supplier campus, including $30 million in roadway realignments and upgrades, and $170 million in new bridges and grade separations at the rail lines. These improvements are expected to be completed by 2015. The railroads and Ford contributed $10 million to the improvements, while the remaining $190 million was funded through City of Chicago general obligations bonds, the State's Illinois First capital program, Federal Highway Administration funds, and the TIF district provided $1 million. In addition, the area is in an Enterprise Zone, which resulted in a sales tax abatement of $726,256 and a designation of a Class 6 incentive class, which reduced property taxes.

The agreements required Ford to operate the assembly plant and provide at least 750 jobs for a ten-year period at the supplier park, and lease at least 75 percent of the supplier campus during the initial ten-year period. In addition, for a 60-month period (not required to be consecutive) during the ten years, at least 1,000 jobs must be provided.

Even as other Ford assembly plants in the Midwest have closed in recent years, Ford continues to invest in its Chicago plant. The national economic recession resulted in the Ford plant going down to one shift in 2008, but in 2010, it was announced that a second shift would be again added to the facility, resulting in 1,200 jobs. In 2011, a third shift was added, resulting in another 1,200 jobs. However, news reports have indicated that laid-off transfers from Ford plants in other states may be used to fill many of those jobs. Currently, the Ford plant employs an estimated 4,000. While the supplier park at one point employed 1,400, some of the suppliers closed during the recession. Approximately 400 were employed at the supplier park as of 2010.

Source: Kate MacArthur, "New jobs at Chicago Ford plant will go to out-of-towners first," *Crain's Chicago Business*, November 7, 2011; 2011 Annual Tax Increment Finance Report, 126th and Torrence Redevelopment Project Area; CMAP analysis of CoStar data; Chicago Manufacturing Campus Infrastructure Agreement Dated as of March 21, 2003, http://www.cityofchicago.org/content/dam/city/depts/dcd/tif/T_010_ChicagoManufacutringCampusRDA.pdf; Chicago Manufacturing Campus Redevelopment Agreement, March 21, 2003; Andrea Holecek, "Visteon to close its local doors," *Times of Northwest Indiana*, September 26, 2006, http://www.nwitimes.com/business/local/visteon-to-close-its-local-doors/article_b9e98b5d-0c80-56fe-a9dc-f86ce084004f.html; Kathleen Kerwin, "Ford To Suppliers: Let's Get Cozier," *BloombergBusinessweek Magazine*, September 19, 2004, http://www.businessweek.com/stories/2004-09-19/ford-to-suppliers-lets-get-cozier; Stephen Kronfeld, "CenterPoint and Ford join forces," CoStar Group, January 17, 2002; Andrew Deichler, "Ford Unveils New Explorer, Launches Chicago Expansion," CoStar Group, July 26, 2010; Ford, "Chicago Manufacturing Campus Opens With Suppliers Manufacturing Just-In-Time Inventory," August 10, 2004, http://media.ford.com/article_display.cfm?article_id=18911.

Klee Building, Portage Park, City of Chicago

Figure 23. Klee Building

Source: flickr user Mark 2400

The Irving Cicero TIF district was established in 1996 to redevelop the 6-corner intersection of Irving Park, Cicero, and Milwaukee. The City of Chicago bought the Klee building from the owner for $1.8 million using eminent domain. In 2005, an agreement was made to create a mixed-use retail and residential redevelopment. Redevelopment was done in 2007, resulting in 64 units (13 affordable), and 20,000 square feet of retail space, which houses a Vitamin Shoppe, a Pearle Vision, Accelerated Rehab Centers, a chiropractic office, and two remaining commercial spaces. The development includes 69 underground parking spaces for the residential units and 23 surface spaces for retail customers.

The project received $1,163,000 in TIF funds for the $18,718,699 development. This includes rehabbing the Klee Building, demolishing three other neighboring buildings, and constructing two new buildings to complement the Klee Building (one that is 5 stories like the Klee building, and the other a single story retail building). The project anticipated to create 20 full and part time jobs through the retail component. The agreement requires the developer to use its best efforts to maintain a minimum of 20 full-time and part-time positions for ten years.

Source: Chicago Klee Development LLC Redevelopment Agreement dated as of January 14, 2005 by and between the City of Chicago and Chicago Klee Development LLC; Jeanette Almada, “$20M Deal Would Bring Retail, Housing to Six Corners,” *Chicago Tribune*, January 25, 2004; Jeanette Almada, “Six Corners Project Advances,” *Chicago Tribune*, March 21, 2004; Grant Pick, “Six Corners at the Crossroads,” *Chicago Reader*, November 6, 2003.

Southgate Market, Near West Side, City of Chicago

Figure 24. Southgate Market

Source: S.B. Friedman and Company

The Jefferson/Roosevelt TIF district was established in 2000. The developer of Southgate Market reconstructed the Taylor Street viaduct as well as access ramps to the viaduct from a parking garage for the shopping center. The agreement stated that the developer reconstructed the viaduct instead of CDOT because the construction schedule of the center conflicted with the schedule for the reconstruction of the viaduct. It is unclear when CDOT would have reconstructed the viaduct. The TIF funds totaling $6.5 million were used to pay back the developer for the construction of the viaduct. Funds from other TIF districts (River South and Canal/Congress) were also used. This area had extraordinary site challenges due to the old viaduct and the proximity to the railroad. Southgate Market opened in 2007. It is a retail center that houses 15 stores including a Marshall's, Whole Foods, and Petsmart.

Source: Redevelopment Agreement by and between The City of Chicago and Canal/Taylor Central LLC, November 1, 2005

Food 4 Less, West Englewood, City of Chicago

The 69th and Ashland TIF district was established in 2004 in the economically depressed West Englewood neighborhood. Of the area's 63 tax parcels, 54 percent were vacant at the time the district was established. The area included a 7-acre property that formerly housed a CTA bus barn. The bus barn was demolished in 1998.

The former site of the CTA bus barn was redeveloped into a retail center, which includes 400 parking spaces, a Food 4 Less, a gas station, two banks, a RadioShack, and several other stores. The Food4Less opened in 2006 at a development cost of $11,878,878, and the remainder of the retail center opened in 2006 at a cost of $6,419,268. Food4Less and the developer attempted to purchase the property from the CTA in 2002, but there were unanticipated environmental remediation problems that required significant additional funding. TIF funds totaling $1,925,000 were provided to the developers to fund the unexpected environmental cleanup costs as well as increased construction costs that resulted from a delay in the schedule.

Source: Resolution No. 04- CDC-14 Authority To Negotiate Redevelopment Agreements With Ralph's Grocery Company And Finch Limited Partnership Within The 69th/Ashland TIF Redevelopment Project Area, And To Recommend To The City Council Of The City Of Chicago The Designation Of Ralph's Grocery Company And Finch Limited Partnership As Developers, September 14, 2004; Designation Of Ralph's Grocery Company, Doing Business As Food 4 Less Midwest, As Project Developer, Authorization For Execution Of Redevelopment Agreement And Issuance Of Tax Increment Allocation Note (69th/Ashland Redevelopment Project) For Construction And Operation Of Grocery Store And Related Facilities At 1601 West 69th Street, February 9, 2005

McGrath Acura, Village of Morton Grove

The Waukegan Road TIF District was established in 1995. The area previously housed several blighted motels, a Walgreen's, and a bank. The Walgreen's and the bank were redeveloped after initial land assembly. Later, a redevelopment agreement for an Oldsmobile dealership was created, but this agreement was voided when the Oldsmobile brand was canceled. The Village reacquired the property, and sold the site to the developer of McGrath Acura.

McGrath Acura was completed in 2004 at a cost of $16,106,738. The site required several improvements, such as storm water detention, perimeter fencing, and site landscaping. The incentive agreements were made in 2002 to reimburse developer for site improvements. TIF funding totaling $4,106,738 was provided.

In addition, a sales tax rebate was provided for 6 years with a maximum of $500,000. Every year, a maximum of 1/6th of the $500,000 will be rebated, unless sales tax revenues fall short of this. If so, the agreement will continue for an additional two years. For the sales tax rebate, if the dealership leaves within four years of the end of the agreement, they must pay the rebate back. If they leave between four and eight years after the end of the agreement, they owe half of the rebate back to the Village.

Source: Village of Morton Grove, Ordinance 02-01 Authorizing a Redevelopment Agreement for the Waukegan Road TIF District Redevelopment Area B, January 28, 2002; Waukegan Road TIF Redevelopment District Fiscal Year 2010 Annual Report

Park Ridge Uptown, City of Park Ridge

Figure 25. Park Ridge Uptown

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Uptown Park Ridge is a mixed-use residential and retail development in downtown Park Ridge. Prior to redevelopment, there were two auto dealerships and a water reservoir on the other side of a six-way intersection from the City's central business district. Prior to establishing the TIF, the City purchased the two dealerships at a cost of $5.3 million, and determined that that water reservoir should be moved because it was leaking. The Uptown TIF district was designated in 2003.

The $123.7 million development was completed in three phases between 2005 and 2009. The project is a mixed use walkable development including 189 residential market rate units and 70,000 square feet of retail space. Retailers include Trader Joe's, clothing stores, and restaurants. The condominiums are substantially sold-out and the retail space is leased. A fourth phase on the site of the Napleton Cadillac has not yet occurred, although the dealership was demolished.

As of 2004, expected revenues for the project, include TIF revenues totaling $44.9 million, new sales tax revenue totaling $14.3 million, and revenues from land sales totaling $9.5 million.

TIF funds were used because the old water reservoir and two former car dealerships caused major site preparation and land assembly challenges. In addition, the six-way intersection caused traffic management issues. Of the total development cost, $16,808,000 in TIF funds were spent on various costs, including infrastructure (sitework, street, sidewalk, lighting, utility, streetscaping, roadway and signals, public parking (structured and surface)). Of the 652 parking spaces, most are private for residential or retail spots, but 100 public spaces were built with TIF funds. In addition, the City is sharing TIF funds with the park district and the school districts totaling $13.2 million. For the new water reservoir, the City issued bonds totaling $16,770,000. $4.9 million will be paid with TIF funds and sales tax revenues, and the remainder will be paid with water revenues.

However, due to declining property values in recent years, TIF incremental property tax revenue has been insufficient to cover debt service on the bonds and the intergovernmental payments to the park and school districts. To date, the TIF district has borrowed more than $5.0 million from the general fund. Projections indicate that loans from the City's general fund may be required in future years.

Source: Annual Tax Increment Finance Report, Uptown TIF, FY2010, FY 2011, and FY2012; Uptown TIF Strategic Plan, June 24, 2013, http://www.parkridge.us/assets/1/Events/The%20Uptown%20TIF%20Strategic%20Plan.pdf; Redevelopment Agreement dated January 5, 2005 by and between the City of Park Ridge and PRC Partners, LLC; City of Park Ridge, Comprehensive Annual Financial Report for the Year Ended April 30, 2012; SB Friedman Development Advisors, Shops and Residences of Uptown Park Ridge summary, http://sbfriedman.com/sites/default/files/James%20Felt%20Award_Summary.pdf.

Whistler Crossing, Village of Riverdale

Figure 26. Whistler Crossing

Source: Metropolitan Planning Council

Pacesetter was a privately-owned 397-unit townhouse development. The units eventually fell into disrepair, and a neighboring shopping center had closed down, all contributing to blight in the area. In addition, the layout of the development resulted in isolation from the rest of the Village, as well as problems with access for public safety vehicles. A TIF district was established to rehabilitate the area and ensure that affordable housing would remain available for those residents that had utilized Housing Choice Vouchers.

The redevelopment project began in 2007, with the goal to convert the area to a mixed-income and mixed-use community including both for-sale and rental housing options. The area received LEED-ND certification, which means that it was recognized for integrating smart growth and green building principles into a cohesive neighborhood design. The new development currently has 106 affordable rental units, 24 rental market rate units, and a grocery store. This is a multi-phase project, and only phase I is complete.

This $38 million redevelopment and rehab project received $1.6 million in TIF funding which went toward redeveloping the residential units as well as toward infrastructure improvements like streets, sidewalk, and alleys. The project also received $10,940,000 in other incentives, including Illinois Department of Commerce and Economic Opportunity grants, Illinois Housing Development Authority grants, a federal HOME grant, as well as tax credits including the federal Low-Income Housing Tax Credit and the Federal Historic Rehabilitation Tax Credit.

Source: Annual Tax Increment Finance Report, FY2010, 138th Stewart TIF 4; Urban Land Institute Chicago, Riverdale, Illinois A Vision for the PaceSetter Neighborhood, 2003 Technical Assistance Panel; Karin Sommer, "Groundbreaking for Pacesetter/Whistler Crossing Redevelopment Project on November 13," Metropolitan Planning Council, November 21, 2007

Phoenix Lake Business Park, Village of Streamwood

This area had been vacant prior to the establishment of the TIF district in 2001. However, the land was zoned for industrial. The area is surrounded by Phoenix Lake to the south, residential to the north and west, and retail to the east. The cost of improvements to the land is high because wetland on the site had become a dumping site. The 41-acre development has seven lots. Five of the seven lots have been developed and sold. Total development costs have been $22,550,240 so far.

The developer is being reimbursed $1.5 million to construct a street that runs through the middle of the industrial park, with 70 percent of the TIF revenue generated annually going toward this reimbursement. In addition, the remaining 30 percent of the TIF revenue will go toward reimbursing the Village for $1.5 million that had been paid out of the Village's operating funds for other street construction. In addition, it appears that the property is eligible for a Class 6 incentive class.

Source: Village Of Streamwood Comprehensive Annual Financial Report For The Year Ended December 31, 2011; Tony Perri, "Work at new TIF site to start," Chicago Tribune, October 07, 2001; Tony Perri, "Business Park is Finally a Go," Chicago Tribune, November 20, 2001; Village of Streamwood, 2013 Budget Executive Summary; Annual Tax Increment Finance Report, FY2010, Buttitta Drive/Francis Ave

Prairie Park, Village of Wheeling

Figure 27. Prairie Park

Source: Smith Family Construction

The North Milwaukee Avenue/Lake-Cook Road TIF district was established in 2003 and expanded in 2007 in an area that contained a mix of improved and vacant land. The area was found to include both blighted parcels as well as parcels that qualified as a conservation area.

In 2004, the Village made a redevelopment agreement with a developer to construct the Prairie Park at Wheeling, which was to be a five-building condominium development with 306 units. During the economic recession that began in 2007, the development ran into financial problems, which resulted in additional funding from the Village. The development has cost $91.7 million, although a planned fifth building has not been built. It is estimated that the development may cost $124.2 million. To date, 62 units in the constructed buildings remain unsold. Other projects in this TIF district have included a Westin Hotel (a $125 million project that utilized $23 million in TIF funding) as well as infrastructure improvements.

TIF funds were provided to aid in environmental cleanup, mitigate chronic flooding, convert existing land uses to mixed-use residential/commercial developments, encourage development on vacant properties that previously housed condemned buildings, fund infrastructure improvements, and provide for open space and landscaping. In 2004, the Village agreed to provide TIF funds totaling $3 million. The Village agreed to provide an additional $1.5 million in 2006. Originally, $775,969.28 was to be paid once buildings 4 and 5 were constructed. In 2009, this was modified; instead, half of this would be provided immediately to the developer, and the other half would be provided upon completion of the clubhouse. In 2010, the Village provided additional TIF funds totaling $6 million to help the developer avoid foreclosure of the property. Of the $6 million, $2.5 million was tied to the completion of the clubhouse, ring road, and infrastructure. An additional $3.5 million will be paid as condo units are sold. Because there were not sufficient funds in the TIF district, the Village had to take out a revenue bond for the $2.5 million. To date, just 15 more units sold, so of the $3.5 million, only $450,000 has been paid out. The developer has recently asked for the rest of the $3.5 million from the Village, but the Village was not willing to provide it.

Source: Village of Wheeling, Further Expanded Redevelopment Project Area, Amended May 2008; Village of Wheeling, FY2011 Annual Tax Increment Finance Report; Redevelopment Agreement For The Prairie Park Development Comprising A Part Of The North TIF District Of The Village Of Wheeling, April 2, 2004; First Amendment to the Redevelopment Agreement for the Prairie Park Development Comprising a part of the North TIF District of the Village of Wheeling, June 15, 2006; Second Amendment to the Redevelopment Agreement for the Prairie Park Development Comprising a part of the North TIF District of the Village of Wheeling, February 9, 2009; Village of Wheeling, Board Meeting, January 21, 2013, http://www.wheelingil.gov/webcasts/VB/2013/Jan_21_2013/Default.html; An Ordinance Approving and Authorizing the Village President and Clerk to Execute a Restated Redevelopment Agreement for the Prairie Park Development Comprising a Part of the North TIF District of the Village of Wheeling, July 12, 2010; Minutes Of The Regular Meeting Of The President And Board Of Trustees Of The Village Of Wheeling, June 21, 2010; Sheila Ahern, "Wheeling votes to give developer $6.5 million," Daily Herald, July 13, 2010.

DuPage County

Bill Kay Nissan, Village of Downers Grove

The Ogden Avenue corridor is primarily commercial, and is home to several auto dealerships. A TIF district was established in 2001, and, in 2010, the Ogden Avenue Site Improvement Strategy (OASIS) program was established to provide businesses a matching grant for certain site improvements, such as landscaping, façade improvements, stormwater facilities, and transportation infrastructure improvements. In addition, TIF funds as well as CMAQ and STP funds have been used to pay for sidewalk, curb cut construction, and curb cut reductions in the corridor.

In addition, the Village provided sales tax rebates to several auto dealerships over the past decade (both within and outside of the TIF district). Bill Kay Nissan, who was leasing its auto dealership, purchased the property, renovated the façade, and remodeled the showroom in 2005. A combination of a sales tax rebate and TIF funds were provided to reimburse Bill Kay Nissan for its costs in purchasing the property. The agreement includes a sales tax rebate of 25 percent for seven years on sales above a $25 million base. The agreement also provides an annual payment of $35,000 for ten years from the TIF, unless after the seven year period is over the sales tax rebates totaled less than $250,000. If that is the case, then the TIF payments are increased to $45,000 for the final three years.

The agreement requires the Bill Kay Nissan to purchase the property, remodel the property, install a public sidewalk, and continue to operate the dealership on the property for at least 12 years. If Bill Kay Nissan ceases to operate during years 1 through 3 of the agreement, all sales tax rebate and TIF reimbursement must be repaid. The repayment amount drops to 75 percent during years 4 and 5 and 50 percent during years 5 through 10.

According to the agreement, the purpose of providing the incentives was to prevent blight, encourage development to enhance the local tax base, generate increased tax revenues, and stimulate employment within the TIF district.

Source: Redevelopment/Sales Tax Rebate Agreement Between The Village Of Downers Grove and J.K. Pontiac D/B/A Bill Kay Nissan, February 15, 2005; Annual TIF Report Year Ending December 31, 2010, Ogden Avenue TIF Corridor

Block 300, City of Elmhurst

The Elmhurst Central Business District TIF district was established in 1986, and extended for another 12 years in 2004, although as part of the extension, parcels in Block 300 were released from the original project area in 2006 and 2007. In addition to property tax increment, this TIF district also receives incremental sales tax revenue. A plan for a subarea of the central business district, Block 300, called for redevelopment of a bank building for mixed uses as well as multi-family residential development. A mixed-use rehabilitation of the bank building and a new condominium building with 122 units were completed in 2005 at a cost of $34,291,310. TIF funds totaling $1,141,810 were used to fund streets, sidewalks, landscaping, utilities, and streetscaping.

Source: City of Elmhurst FY2010 Annual Tax Increment Finance Report; City of Elmhurst, Downtown Plan, February 2006; City of Elmhurst, Market Assessment, April 2007

Kane County

ALDI, City of Geneva

Figure 28. ALDI

Source: Geneva Patch

A TIF district was established in a commercial corridor on East State Street under eligibility as a conservation area. The corridor is a half mile from the central business district in Geneva. Since the TIF was established in 2000, several retail and other commercial establishments, including CVS and ALDI, have located in the district. The area in the district had significant site issues and required parcel assembly and environmental remediation.

The ALDI was completed in 2007 and contributed to the significant improvements that have been made in the corridor. The development cost $3,050,000. The TIF provided $450,000 of the total development cost. In addition, ALDI received a sales tax rebate in 2008 of 50 percent of revenues for ten years or up to a maximum of $300,000.

Source: Annual Tax Increment Finance Report FY2010, East State Street TIF District; East State Street Tax Increment Financing Redevelopment Project and Plan, December 1, 1999; City of Geneva, Summary of Geneva Sales Tax Rebates

Spring Hill Gateway, Village of West Dundee

This shopping center is adjacent to the Spring Hill Mall, and has struggled with vacant storefronts and a poor layout with an inward orientation from the road, resulting in poor visibility. A TIF district was established in 2008 to redevelop the Spring Hill Gateway as well as 11 other properties in the area. Other projects in the TIF district include an L.A. Fitness constructed on a former Toys R Us site. At the time the TIF district was established, the vacancy rate for Spring Hill Gateway was 40 percent.

Since the TIF district was established, the completion of the improvements to Spring Hill Gateway and the attraction of additional tenants were stalled as a result of the property going through foreclosure. The east side of the center is now out of foreclosure and owned by the bank. It is currently under contract to a new developer who will be proposing additional work as part of the redevelopment plan. The west side of the center has been transferred to a new owner and is being marketed for lease, but there is continued litigation with respect to the foreclosure.

Projects are budgeted at $30.6 million. Thus far, the TIF has expended $4 million on infrastructure improvements and land assembly, while $12 million in private funds has been spent on project costs such as construction of new storefronts facing the street and new signage. The TIF funds were actually a transfer from the Village's operating budget, and the Village is waiting to be repaid from TIF revenues.

Source: Jacob Hurwith, "WD ends fiscal year in black," *The Courier-News* October 19, 2010; Annual Tax Increment Finance Report FY2010, West Dundee; Email communication with the Village of West Dundee, February 01, 2013 and June 26, 2013

Lake County

Lincolnshire Downtown, Village of Lincolnshire

The Village's only TIF district was established in 1989, and was created to develop a downtown area. At the time of the TIF district's establishment, much of the area was undeveloped. The development includes a commercial "village green" area as well a 2-building condominium development housing 62 units. TIF funds totaling $7,845,539 were spent on the development.

Source: Village of Lincolnshire FY2010 TIF Report; Village of Lincolnshire Comprehensive Plan Update, 2012

McHenry County

Woodstock Station, City of Woodstock

The project area was formerly Woodstock Die Casting, which closed in 1990. The City acquired the property in 1993, demolished the buildings in 1997 and performed environmental remediation on the land. A TIF district was established in 1997 to assist with the redevelopment of the site and the surrounding downtown area.

This 11-acre, proposed transit-oriented development is adjacent to the Woodstock Metra Station. To date, approximately $2.5 million has been spent on projects including the installation of water and sewer lines, street construction, the resurfacing the commuter parking lot and streetscaping. Plans for commercial uses, condominiums, and town houses stalled when the property went into foreclosure in 2009. At that time, ten townhouses had been built by the developer. Another developers' plans for senior housing on the property were recently considered by the planning commission, but were withdrawn due to local concerns regarding the design, proposed age restrictions, and density of the project.

Source: Annual Tax Increment Finance Report FY2010, City of Woodstock Downtown TIF Redevelopment Project Area; City Of Woodstock Plan Commission Minutes, February 23, 2012; City of Woodstock, Fiscal Year 2012/2013 Annual Budget; Woodstock Environmental Plan, 2010

Will County

Bailly Ridge, Village of Monee

TIF district #3 was designated in 2001 on undeveloped parcels adjacent to an I-57 interchange. The Bailly Ridge Corporate Center is a 412-acre park for distribution, industrial, office, and retail. The development cost has cost $23.3 million thus far, but most of the buildings have not yet been constructed. Various developers have received funding from the TIF in the form of property tax reimbursements, totaling $1.5 million in FY2012.

TNT Logistics, who leases a 718,725 square foot warehouse to distribute Michelin tires, received $4.6 million in TIF funds. An adjacent 431,600 square foot building remains vacant about 40 percent vacant. Aside from these 60 acres, the rest of the 412-acre park primarily remains undeveloped.

Source: Village of Monee TIF district reports, FY2010 and FY2012; Micah Maidenberg, "Developer slammed with lawsuits on far suburban projects," ChicagoRealEstateDaily.com, February 6, 2013

Property tax abatements and incentive classes

Cook County

Cloverhill Bakeries, Town of Cicero

Cloverhill Bakery is located in Chicago, but decided to move distribution facilities from Chicago to Cicero in 2010 in order to expand its distribution facility, which could not be expanded in the Chicago location. When the distribution facility and its 40 employees moved to Cicero, the company received an incentive Class 6, which over the first three years of the 12-year incentive period saved the company approximately $1.9 million in property taxes. Over the entire incentive period (which could be renewed), savings could total $7.1 million.

Source: S.B. Friedman Development Advisors analysis of Cook County Assessor data; Sandra Anderson, "Cloverhill Bakery moving distribution center to Cicero," The Mark News Online, October 19, 2010; "Chicago business to expand in Cicero," Town of Cicero News Wire, October 12, 2010

Sahloul Plaza, City of Harvey

This 11,550 square foot shopping center was constructed in 2007. Several sites in this center remain vacant. The Class 8 incentive was provided in 2007, and has saved the property owner $358,300 thus far, and is estimated to save $780,613 over the 12-year period.

Source: S.B. Friedman Development Advisors analysis of Cook County Assessor data

Robert James Sales, City of Oak Forest

The building was constructed in 2002 for a distribution center for Robert James Sales, a process pipes distribution company that is headquartered in Buffalo, New York. This was an undeveloped parcel primarily surrounded by other industrial and commercial buildings, with undeveloped land to the south, where a shopping center was eventually constructed.
The company employs 12 in this location, and expanded its warehouse capacity in 2012. The Class 8 incentive was provided starting with tax year 2004. Properties within Bremen Township are eligible for Class 8 designation, which is for areas in need of revitalization, because it is part of the South Suburban Tax Reactivation Program. Thus far, the value of the incentive has totaled $667,729, and is estimated to reach $852,033 over the 12-year period.

Source: S.B. Friedman Development Advisors analysis of Cook County Assessor data; rjsales.com

Grundy County (Aux Sable Township)

Clorox, Village of Minooka

On a site off of I-80 and Minooka Road, an industrial area has been developed since 2000. The entire area was previously farmland, and mostly remains farmland. Other companies that have located warehouses here include Kellogg's, Alberto Culver, BMW, Electrolux, Macy's, and Grainger. Many of these companies also received property tax abatements.

Clorox received a property tax abatement for building an 849,691 square foot warehouse on an undeveloped site in 2006. The reason for providing incentives to Clorox was to encourage the company to move to Minooka. Clorox was given a 75-percent property tax abatement the first year, the second year 50 percent, and the third year 25 percent from 2007 to 2009, totaling $773,000. Abatements were provided by Grundy County, the Village of Minooka, Aux Sable Township, Aux Sable Road and Bridge, Minooka Fire Protection District, Minooka High School, Minooka Grade School and Joliet Junior College. Clorox was required to stay until 2012 or forfeit the abatement.

Clorox moved into the facility 2007, but moved out in 2011 in favor of a new, 1.35 million square foot distribution center in University Park. The stated reason for the move was that they needed additional space. Clorox repaid the abated funds after moving because the agreement required the company to stay until 2012. University Park approved the use of TIF funds for the company after taxes are paid on the new building. Under this new agreement, 165 people would be employed in the facility with a minimum of 20 percent being University Park residents. Clorox employs 165 at the University Park facility.

Source: Todd J. Behme, "Clorox looks to build big warehouse in south suburbs," *ChicagoRealEstateDaily.com*, March 24, 2010; Kris Stadalsky, "Early exit from Minooka will cost Clorox," *Joliet Herald News*, March 5, 2011; CoStar

Lake County

Medline, Village of Libertyville

Medline, which is headquartered in Lake County, built a new distribution center in Libertyville in 2007. Medline received property tax abatements from Lake County, Fremont School District 79, and Mundelein Consolidated High School District 120. Medline will receive a 50-percent abatement for 2011 through 2015, a 40-percent abatement in 2016, 30 percent in 2017, 20 percent in 2018, and 10 percent in 2019, at a maximum of $4 million as required by statute. In addition, the company received Employer Training Investment Program grants totaling $140,775. The reason provided by the local governments for offering the abatement was to create and retain jobs. The property tax abatement required a minimum of 600,000 square feet and a minimum of 100 employees, with at least 50 employees being residents of Lake County. If Medline does not employ at least 50 Lake County residents for the full term of the tax abatement within five years of the initiation of the abatement term, Medline has to repay all abated taxes.

Source: Real Property Tax Abatement Agreement, Medline Industries, Inc., March 28, 2007; Illinois Department of Commerce and Economic Opportunity

McHenry County

Marengo Entertainment Center, City of Marengo

The Marengo Entertainment Center, which houses a bowling alley and restaurant, was built in 2010 at a cost of $4 million. The City of Marengo, the Marengo Rescue Squad, Marengo Park District, Marengo-Union Library District, Marengo Fire District, Marengo Community High School District 154, and Marengo-Union Elementary School District 165 all provided a 75 percent property tax abatement for 2011, a 50 percent abatement for 2012, and a 25 percent abatement for 2013 on the taxes levied on the improvements to the property. This abatement totaled $18,288 in tax year 2011 and approximately $13,000 in tax year 2012. In addition, the City of Marengo provided a 10 percent sales tax rebate for three years estimated to total $600 and a 10 percent reduction in building permit fees expected to total $2,504.

Source: Marengo Economic Development Commission; Marengo City Council, Regular Meeting Minutes, July 27, 2009; McHenry County 2011 Abatement Report; CMAP analysis of McHenry County Treasurer data

Will County

Dollar Tree Distribution Center, City of Joliet

Figure 29. Dollar Tree Distribution Center

Source: CoStar

In 2004, Dollar Tree opened a 1.2 million square foot distribution center in Joliet on farmland near the intersection of I-55 and I-80 and an intermodal transportation center in Elwood. The $70 million distribution center replaced another in the Chicago area. The facility intended to retain 150 employees from the original facility and add an additional 50 employees. The City of Joliet, Will County, Joliet Township High School District 204, and Laraway Elementary School District 70-C provided 50 percent property tax abatements for five years, 2005 through 2009.

The abatements totaled $2,472,740. In addition, the Illinois Department of Commerce and Economic Opportunity provided a $1.5 million incentive package, including $500,000 for site improvements, According to media reports, Dollar Tree issued a press release stating it was choosing among sites in Illinois and northwest Indiana, and that that incentives from state and local governments would be a factor in the decision.

Source: Dollar Tree, "Dollar Tree Stores, Inc. To Break Ground for Two New Distribution Centers," May 12, 2003; Karen Mellen, "Dollar store seeks Joliet deal," *Chicago Tribune*, February 4, 2003; Ken O'Brien, "Retailer picks Joliet for $75 million warehouse," *Chicago Tribune*, April 12, 2003; Will County Clerk

Panduit, Village of Tinley Park

Figure 30. Panduit

Source: Village of Tinley Park

The Panduit Corporation has been located in Tinley Park since its founding in 1966. The company produces industrial plastic and electronic components. It has several offices and manufacturing facilities in the Will County area. Sales sourced at the headquarters location totals approximately $40 million annually, resulting in sales tax revenues to the Village.

The company completed a new 500,000 square foot corporate headquarters in 2010 on undeveloped land in the Will County section of Tinley Park. The company had 500 employees in its corporate office, but built the new campus to accommodate 1,200. Approximately 1,000 employees work at the new headquarters. It is unclear whether any of these employees were transferred from other facilities within the region. The former office and manufacturing facility in Tinley Park continues some activities, but Panduit indicated that these activities will be relocated. Panduit is considering options for how to utilize this facility.

The stated purpose of providing incentives was to encourage the company to retain its headquarters location in Tinley Park. Incentives included a sales tax rebate from the Village of Tinley Park, and property tax abatements from Will County, Summit Hill School District, Lincoln-way High School District, and the Village. These incentives totaled $417,748 in 2011. The incentives offered by the Village included a 50 percent sales tax rebate for ten years with no maximum and an abatement of a portion of property taxes in excess of $26,000 with a maximum of $2.2 million over 20 years. Will County abated 50 percent of property taxes for five years, and the school districts also provided a property tax abatement for five years. In addition, state incentives totaling $350,000 were received through the Large Business Development Program and Employer Training Investment Program.

Source: Will County; Illinois Department of Commerce and Economic Opportunity; Village of Tinley Park, Comprehensive Annual Financial Report, FY2012; Telephone communication with Village of Tinley Park, February 11, 2013; Will County Board Meeting Minutes, March 20, 2008; Tinley Park, Illinois Comprehensive Annual Financial Report Fiscal Year Ended April 30, 2012

Dow Chemical Company, City of Wilmington

This industrial site is surrounded by farmland and residential areas and had been vacant since 1999. It was previously occupied by Johnson & Johnson, which employed 412 workers. That plant had opened in 1960, and was Wilmington's largest employer. Johnson & Johnson had been offered tax incentives to stay, but merged its operations with a plant in Montreal.

In 2003, Dow Chemical moved its facility in Crest Hill to this Wilmington site, and also merged its operations with two Canadian plants. The plant has a staff of 100. The company received property tax abatements for 10 years, totaling $511,136 thus far. The abatement is on the increase in tax revenue generated from the base year. The percentage abated is 100 percent of the increase for the first five years, and this percentage decreases annually for the second half of the ten-year period. Districts providing the abatement include the Island Park District, Wilmington Library District, City of Wilmington, and Unit School District 209.

Source: Will County; City of Wilmington Ordinance No. 1509, An Ordinance Approving an Intergovernmental Agreement between the City of Wilmington and the Dow Chemical Company; Stanley Ziemba, "Johnson & Johnson, 412 Jobs to Leave City," *Chicago Tribune*, January 13, 1999, http://articles.chicagotribune.com/1999-01-13/news/9901130206_1_wilmington-plant-new-jobs-personal-products; Pat Harper, "Dow Chemical to move to Wilmington," *The Herald News*, November 20, 2002

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